

In a world of...
the pinch...
for, says Peter Bruce...
the pinch...
for, says Peter Bruce...

continent

ST705...
the pinch...
for, says Peter Bruce...
the pinch...
for, says Peter Bruce...

WITS LIMITED

ANNOUNCEMENT OF RESULTS

STOCK MARKET INDICES	FT-SE 100	FT-SE 250	FT-SE 1000	FT-SE 10000
Yield	5.12	5.12	5.12	5.12
FT-SE 100	2,881.8	2,881.8	2,881.8	2,881.8
FT-SE 250	1,138.8	1,138.8	1,138.8	1,138.8
FT-SE 1000	1,138.8	1,138.8	1,138.8	1,138.8
FT-SE 10000	1,138.8	1,138.8	1,138.8	1,138.8

US CLOSING RATES	FT-SE 100	FT-SE 250	FT-SE 1000	FT-SE 10000
FT-SE 100	2,881.8	2,881.8	2,881.8	2,881.8
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Olympics
How computers run
the show



Brazil
Reform campaign
gains momentum



Kurile Islands
Dispute over a
treasure trove

George Bush
Growing irritant
of Iraqgate



FINANCIAL TIMES

Thursday August 6 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

French support for Maastricht treaty declining

The French government announced today that the official campaign for the referendum on the Maastricht treaty on European unification as the latest French poll showed a declining majority planning to vote yes. The Paris stock market rose by 1 per cent before the results were unveiled, as rumours that it showed a majority for Maastricht dispelled fears of a negative result. Page 12

Tight finish in 400m

Hard-fought Olympic gold medalist Sally Gunnell waves a Union Jack on her victory lap after making a dramatic finish to beat favourite Sandra Farmer-Patrick in the women's final. The American led for the first half but the two came into the final straight neck-and-neck. Olympic reports, Page 7; The IT team strikes gold, Page 8

US: The four white policemen whose acquittals in the videotaped beating of black motorist Rodney King caused riots in Los Angeles have been charged with federal civil rights violations.

Israel freezes buildings: New private house building for Jewish settlers has been halted in the occupied West Bank. The move came as Prime Minister Yitzhak Rabin prepared to leave for the US, where he hopes \$10bn of loan guarantees will be unfrozen.

Meeting on Mozambique: Mozambican president Joaquim Chissano and rebel leader Afonso Dhlakama held talks in Rome as a prelude to formal negotiations aimed at ending the 16-year civil war.

Russia: The chairman of the Russian parliament said Moscow would go ahead with a \$500m deal to supply rocket technology to India despite a call by the US to both countries to scrap it.

India: At least 13 security men were killed in the north-eastern state of Assam when they were ambushed by separatist Naga tribesmen.

Deutsche Bank: Germany's biggest bank reported profits down by much more than analysts had expected, to produce the poorest result of the big three German banks. Page 13

Pound falls sharply against D-Mark: Sterling fell to DM2.8242 against the D-Mark on the foreign exchanges, its lowest point since Britain joined the exchange rate mechanism. Although there was only light trade in the currency, foreign exchange dealers are increasingly bullish about the UK economy after reports of another fall in UK house prices. In London trading, the pound closed a penny down on the day at DM2.8260. Currencies, Page 28; London stocks, Page 21

Lufthansa: A sharp rise in the German airline's pre-tax loss for the first half of 1992 will lead to further staff and cost cuts as well as a slimmer route network. Page 18

Standard Chartered: Shares fell almost 5 per cent after the international banking group said it was now making provisions of \$100m to cover expected losses arising from its involvement in the Indian securities trading scandal. Page 13

Fujitsu: Japanese computer company, warned of "unavoidable" loss in first half because of the continued slowing of the domestic economy and the weakness of international electronics markets. Page 13; US criticism over chips sales worries Japan, Page 4

Lindt's chief executive resigned as the marriage wrangle surrounding chairman Rudolph Sprüngli deepened. Page 14

Prima Immobilien: Big Spanish property developer controlled by the Kuwait Investment Office, asked creditor banks for a two-month moratorium on repayment of bank debt estimated to be worth almost \$500m. Page 14

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UN threat to withdraw troops from Sarajevo

By Laura Silber in Belgrade

UNITED NATIONS peacekeepers threatened to pull out of Sarajevo yesterday following several days of heavy bombardment in and around the besieged Bosnian capital.

Mr Mik Magnusson, the UN spokesman in the city, said the UN peacekeeping activities could not go on indefinitely if this level of violence continued.

"There comes a time when we have to assess the situation. I guess that time comes now," he told reporters after the UN closed the airport on Tuesday night for 72 hours.

The warning coincided with increasing confusion within the UN administration and western governments about how to end the bloodshed.

President George Bush said yesterday that he did not rule out some form of US military intervention, but that he would not commit forces "to a battle" until he knew "what's the beginning, what's the objective, how's the objective going to be achieved, and what's the end."

Lady Thatcher, the former British prime minister, joined the argument last night by saying that Bosnia's defence forces should be armed and given military aid to prevent "an even greater catastrophe".

"This is not a civil war but a communist war of aggression," Lady Thatcher said after meeting Dr Ejup Ganic, Bosnia's vice-president, during her holiday in Switzerland.

"Every time we say that force will not be used we encourage the aggressor, who has already caused 2.5m people to flee their homes," she said.

"What is happening in Bosnia is reminiscent of the worst crimes of the Nazis. Sanctions have been ineffective. Trade and supplies of weapons are still getting through to Serbia," Lady Thatcher added.

Her successor, Mr John Major, has ruled out military intervention in the former Yugoslavia.

The US yesterday called for an extraordinary session of the Geneva-based United Nations Human Rights Commission.

Mr Morris Abram, US ambassador, wrote to Mr Antoine Blanca, UN under-secretary-general for human rights, asking that the commission "examine the dangerous deterioration of the human rights situation in the former Yugoslavia."

The request followed claims and counter-claims about the existence of Serb, Moslem and Croat detention camps throughout Bosnia-Herzegovina.

Mr Radovan Karadzic, leader of Bosnia's Serbs, yesterday dismissed as "propaganda" reports that the Serbs are holding, executing and torturing tens of thousands of Moslems and Croats in concentration camps.

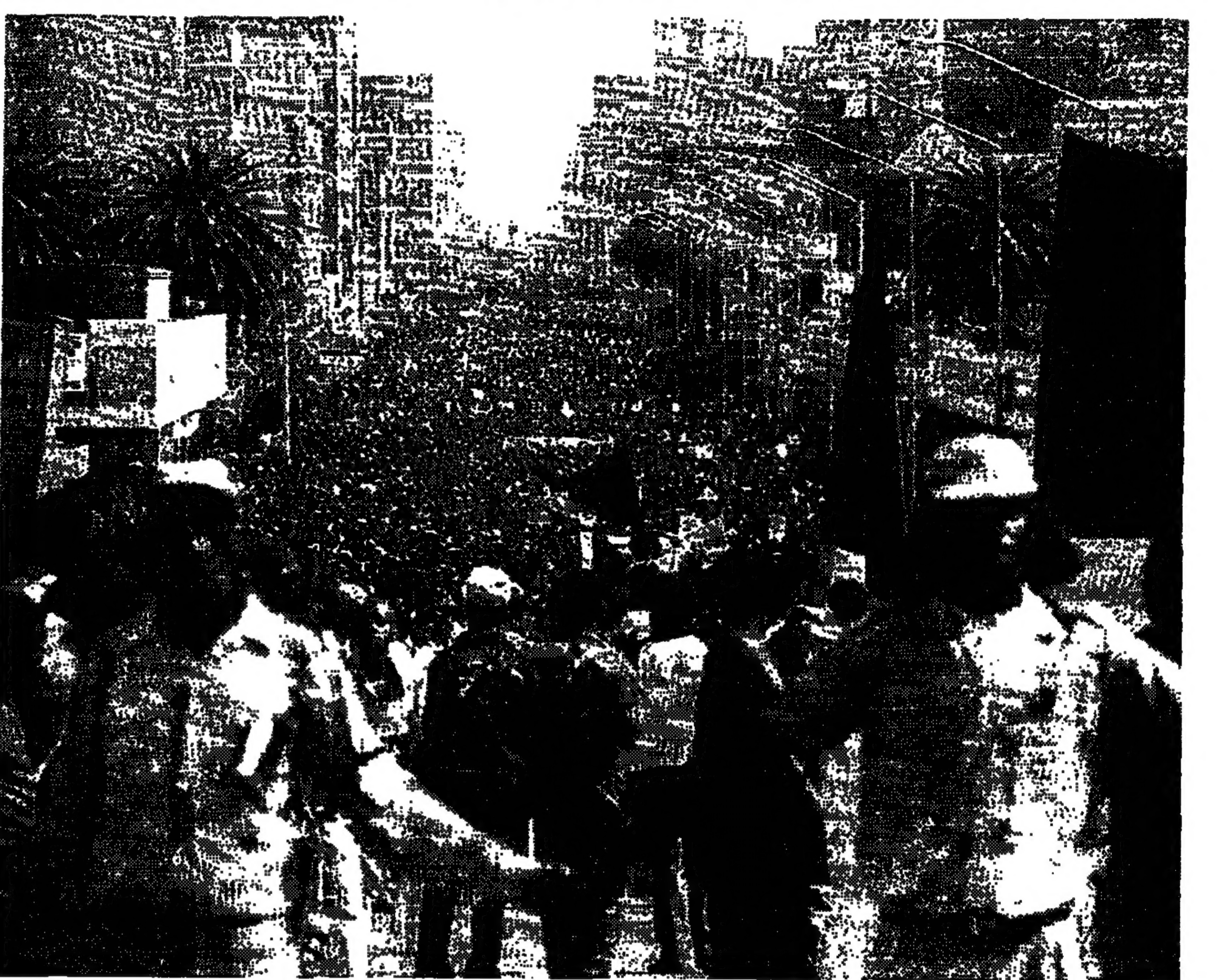
"It is all initiated by Moslem propaganda. It is so obvious. It is a matter of public relations and soon the truth will bloom," he said.

But Bosnian Moslems and Croats forced to flee their homes after Serb attacks claim the Serbs run 45 detention camps which hold at least 70,000 people. Serbs claim Moslems and Croats are holding about 40,000 people in the same number of camps.

Mr Karadzic said the International Committee of the Red Cross was "welcome at any time" to visit the camps, which he said housed prisoners-of-war. The ICRC was forced to quit Bosnia in May after its aid workers were shot at.

Ms Judith Hushagen, ICRC information officer in Belgrade, the Serbian capital, said: "So far the ICRC has been denied access to Omarska and Brcko, two

Continued on Page 12
US shrinks from role in Bosnia, Page 2
Battered by history, Page 10



Capital turnout: black supporters of the African National Congress took their protest to the seat of white power in Pretoria

Mandela leads march of 50,000

By Michael Holman and Philip Gawth in Pretoria

AFRICAN nationalism peacefully confronted Afrikanerdom yesterday as Mr Nelson Mandela led more than 50,000 supporters through the heart of Pretoria to the seat of white government.

A line of heavily armed police stood between the Union Buildings housing the offices of President F.W. de Klerk and the African National Congress president, who repeated his demand for an early transition to majority rule.

Hailing the 48-hour general strike which ended on Tuesday night as "unquestionably one of the great events in our history", Mr Mandela went on: "The campaign for peace and democracy must become a tidal wave which will thrust our country into a future where justice prevails,

peace is assured and democracy becomes a way of life."

The good-humoured crowd, gathered on the slopes below Union Buildings, responded enthusiastically. "Forward to an interim government of national unity," urged Mr Mandela, a slogan which the crowd clearly found something of a mouthful, though dutifully shouting the refrain "Forward".

It was a day, however, on which the occasion, rich in symbolism, was more important than the speech itself. The massive turnout will have reinforced the ANC's status as the country's most popular party and demonstrated its capacity to marshal its followers. No incidents of violence were reported.

The party itself is in no doubt about its prospects. "Today we are at the door of Union Build-

ing", announced Mr Cyril Ramaphosa, ANC secretary-general. "Next time, F.W. de Klerk, we are going to be inside your office".

The police, black, white and mixed race, listened impassively. On the slopes below Mr Mandela, the packed crowd engulfed the statue of Louis Botha, Boer war general and first prime minister of the Union of South Africa. Sitting astride his horse, the man revered in Afrikaner history suffered the indignity of being draped in the banners of the Kwathema branch of the ANC and the South African Communist party.

On a garden terrace above Mr Mandela, another mounted Boer war hero, J.B.M. Herzog, founder of the party that Mr de Klerk leads, and prime minister from 1924 to 1939, gave shelter to bearers of more ANC banners.

Unfurled above Mr Mandela was the black, green and gold ANC flag, fluttering behind it the orange, white and blue of the South African counterparty.

His amplified voice reverberating in the natural amphitheatre, and certainly audible to the occupants of the building a hundred yards behind him, Mr Mandela called on government to take "practical steps" to curb political violence, agree to form an interim government together with a "commitment to a sovereign, democratically elected constituent assembly". Unless the demands "are met satisfactorily by the government, negotiations cannot be resumed," he warned.

Most observers, however, believe that sufficient progress has been made since talks were broken off last June to allow an early resumption.

Japan's surplus climbs to record

By Robert Thomson in Tokyo

JAPAN'S current account surplus for the first half rose 94 per cent from a year earlier to \$56.2bn, a record for any six-month period.

The Ministry of Finance said the surplus for June was 43.5 per cent higher at \$9.4bn, due mostly to a rapidly growing trade surplus, which was \$11.4bn for the month against \$9.5bn in the same month last year.

While the ministry said the surge in the current account surplus was a temporary result of yen appreciation, the Ministry of International Trade and Industry voiced concern that some troubled Japanese companies appear to have increased their exports sharply.

During the first half there was a jump in exports of chemical products, construction materials, cars and electronic devices as companies attempted to reduce domestic inventories that have built up as the economy has slowed. Meanwhile, demand for imports has declined.

Part of the large year-on-year increase in the current account surplus was due to the transfer early last year of a \$9bn contribu-

UK tax authorities clear ICI demerger

By Andrew Jack and Paul Abrahams in London

BRITISH tax authorities have given provisional approval for the restructuring plans of Imperial Chemical Industries, clearing the way for the UK's largest ever demerger, which will split the company into two separately quoted groups, ICI and ICI Bioscience.

The approval - known as pre-clearance - has been agreed by the Inland Revenue in discussions over the past two months and removes the most important obstacle to the demerger.

ICI said yesterday it hoped to launch a secondary share issue for ICI Bio, which will be comprised of the group's drugs and agrochemicals operations, in April or May of next year.

Pre-clearance by the Inland Revenue will ensure the demerger is practically tax neutral, and does not generate greater liability for advance corporation tax or capital gains for shareholders.

Mr Colin Short, ICI's finance director, said the dividends paid next year would be decided by the two boards separately after the demerger. He claimed, however, the move was not a subterfuge to reduce ICI's dividend.

Mr Short said: "The Inland Revenue was by far and away the most significant potential showstopper. I believe this is the largest and most complicated demer-

ger the UK has ever seen."

He said ICI had also obtained a strong opinion from Davis Polk & Wardwell, its US legal adviser, that the demerger plans should be acceptable to the Internal Revenue Service.

Details of the demerger - known internally as "project mortar" - will be submitted next month to tax authorities in the other 150 countries in which ICI operates.

"Even with a following wind, it will take until the end of the year to prepare the demerger," said Mr Short. The way would then be clear for the split after the annual results are announced on February 25 and the annual report is published on March 4. A prospectus for a secondary offer in ICI Bio will be published shortly afterwards.

"In early March, we'll poke our nose out of the Millbank windows and take a look at the markets. If they look fine, ICI Bio will raise equity in about April or May."

The company will study the recent Wellcome share sale carefully, but Mr Short says he has not decided on its structure. SG Warburg will be advising ICI while Goldman Sachs would probably advise in the US.

Goldman Sachs assisted ICI after Hanson took a 2.8 per cent stake in the company last year.

ICI comes to grips with the tax tangle, Page 13

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NEWS: EUROPE

US shrinks from role in Bosnia

By Judy Dempsey

DESPITE an increase in the violence in war-torn Bosnia-Herzegovina, the US appears determined not to get embroiled in a conflict which it describes as "a European problem", or in a region "which is a backwater" for the administration.

If European governments are prepared to commit ground troops or air support to back up the international humanitarian relief effort, Washington will assist. But congressmen, senators and state department officials recently explained that this would only be with air power and only with the authorisation of the United Nations.

"The area is now a political backwater for us," a staff member of the House committee on foreign affairs said. "It was important under Tito [the former Yugoslav president], but what interests do we have in the region now that the cold war is over?" he added.

He explained how, since the collapse of the Soviet Union and the communist system, the US was "beginning to look in on itself".

"Perhaps it is a growing sense of isolationism. But the feeling among public opinion in the US is that we have poverty, unemployment and budget problems on our own doorstep," he said. "And isn't it time to turn our attention to these matters. Besides, people still do not know where Yugoslavia is, or what the war over there is about. In a presidential election year, everybody is going to be cautious."

Despite the impact of the media on US public opinion, which has the effect of shaping official rhetoric, but not the overall policy towards the Balkans, both Republicans and Democrats said security in the Balkans and the Yugoslav crisis was the responsibility of Europe, even though repeated internal disagreements within

the European Community has often prevented it from adopting a coherent strategy towards the region.

"After the republics of Slovenia and Croatia declared independence [in June 1991], we thought Yugoslavia was a European problem," said Republican Mr Richard Lugar, who is a member of the Senate foreign affairs committee. "Of course we consulted with our [European] allies," he said. "But now it seems to us that Europe has had problems in deciding what to do. My own view is that the problem of violence has to be addressed. Until we have a commitment from the EC countries that they will supply ground forces of some kind, we are not prepared to use air force. In any

'People [in the US] still do not know what the war over there is about'

case, we would only use air force through the authorisation of the United Nations."

But as Britain prepares to host an EC-UN conference on the former Yugoslavia later this month, US officials are growing increasingly critical of the EC's year-long role in the conflict.

Administration officials explained how Mr James Baker, the US secretary of state, grew increasingly exasperated with Serbian aggression against Sarajevo, the Bosnian capital, and the attempts by the EC-sponsored peace conference on Yugoslavia to implement any lasting ceasefire.

"TV coverage, especially of the mortar attack on the bread line in Sarajevo, made him furious with Belgrade," an official said. "This impatience with the EC peace process was expressed at the EC Lisbon summit in June,

where the US called for tougher measures against Serbia, and even referred to the use of military force.

"We spoke about some form of military intervention. But the Pentagon was against it, and many of us were divided about its goals. It would have meant going to war against Serbia. In any case, there was an agreement thrashed out at the Munich G7 summit [of industrialised nations] in July, an administration official said.

He said Mr Douglas Hurd, the UK foreign secretary, asked Mr Baker to "give [Lord] Carrington and the EC peace efforts one more chance". "Britain was about to take over the EC presidency. It did not want France to expand the peace conference," Baker said. "OK. We'll give Carrington another chance."

The failure of the London talks on Bosnia last month has now forced the EC to broaden the conference into the ambit of the UN.

Mr Tom Lantos, a Democrat, who is also a member of the foreign affairs committee, said: "Europe's response to the war in the former Yugoslavia has been a complete shambles. Its response is shameful."

Yet few US officials are prepared to spell out how they would stop the war in Bosnia, and prevent it from spreading to neighbouring republics.

"Tragically, the world community response has been too little and too late," Mr Robert Dole, the Republican Senate leader said. "Why didn't we respond to this aggression 12 months ago?"

Last June he asked the senate to authorise the use of Nato forces to re-establish peace in Bosnia, to close the airspace over Bosnia, to protect humanitarian air convoys, and to plan for airstrikes "if feasible against Serbian positions in Bosnia, and in Serbia". Support for these proposals has been muted.



NOTHING SACRED: A church explodes in the northern Bosnian town of Odzak after coming under fire from a multiple rocket launcher. The incident occurred during an offensive by Croatian forces.

Japanese claim soul of the islands with a Soviet face

Leyla Boulton visits the backward and sharply contested South Kuriles

A TREASURE trove of fish, gold and natural beauty, the South Kuriles' gently sloping hills rise up under the mist as in a Japanese print. On the ground, however, the islands which Japan wants back from Russia could not look more Soviet.

As soon as you get foot on Kunashir, which is just 9km from Japan, a fish-processing factory greets you with a huge slogan saying "Glory to the Working Class". Rusting fishing boats and assorted rubbish litter a makeshift harbour. An outsize bust of Lenin is the main attraction of the local town's shapeless windswept square.

The island was seized by Soviet troops in the closing days of the second world war, along with Iturup, Shikotan, and the Hobbemai group of islands. A neglected outpost of the Soviet empire for 45 years, the four islands are now at the centre of a bitter international dispute, with Japan making large-scale aid and investment for Russia conditional upon their return.

While most of the 25,000 islanders, who came from all over the Soviet Union after the Japanese population was deported en masse, oppose the islands' return, most also favour extensive economic co-operation and open borders with a country they see as an instant source of wealth. (Today, the only Japanese presence on Kunashir is a 30-year-old teacher who is providing Japanese language courses via the local newspaper).

Up to 30 per cent of the islanders would even welcome a handover.

"We should give the islands back to the Japanese and the sooner the better," exclaimed Mrs Zoya Ashurova, a native of Shikotan who was visiting her conscript son on Kunashir. "We live like beggars."

Travelling on a Russian cruise ship for two days and nights to reach the island from the closest bit of Russia - Sakhalin Island - underlined just how cut off the islanders are.

Emphasising the impression that the Russians have been camping out despite Russification - which has extended to giving local volcanoes new names such as Ivan the Terrible - none of the islands has a harbour capable of accommodating the passenger ships which are the main form of

transport from the islands.

Some moderates fear that even giving up the two smallest islands could set a precedent for other claims on Russian territory. The islands are surrounded by some of the richest fishing grounds in the world.

(In contrast to conditions for civilians, no expense has been spared for the military, who have their own port for navy vessels at Shikotan.)

Dirt tracks substitute for roads (which cost four times as much to build than on the mainland), social services and telecommunications are primitive even by Russian standards.



and supplies of food are erratic and expensive.

The luxury liner I sailed on, for example, was lined with dozens of cardboard boxes containing live chickens. Although many died on the way, their owner's intention was to set up a chicken farm on Iturup, the largest island. ("I don't help him, who will?" was how the ship's captain explained his decision not to charge for the services).

For all the hardship, life on what Japan calls its Northern Territories still has its attractions. Mrs Ludmila Danilova, 45, left Russia's sordid Kuzbass mining region seven years ago to work in Kunashir's fish factory. "The air is clean and the

environment is beautiful. In the Kuzbass, the snow turns black five minutes after falling to the ground, and now that I am used to walking everywhere, the buses there seem stuffy," she explained, saying she did not think the islands should be given up.

Mr Valentin Fyodorov, the governor of the Sakhalin and Kurile region who fiercely opposes ceding any territory, has staked his promises of a better life for the islanders on a draft decree which, if signed by President Boris Yeltsin, would provide substantial tax benefits and deploy the military to build up infrastructure.

Even moderates fear that giving up the islands, even the two smallest ones, could set a precedent for claims on Russian territory.

At parliamentary hearings last week military leaders reiterated that the islands were strategically important for Russia because they control access to the Pacific and because of the presence of US troops on Hokkaido island in Japan.

Despite a thaw in relations which has translated into visits by Japanese groups to the tombs of their ancestors, Mr Nikolai Pokidin, Kunashir's mayor, says that he has given up waiting for the Japanese to bring money and know-how to the islands.

"We smile politely like they do, but the more we orientate ourselves towards the Japanese, the worse it will be for us," he explained. "They don't want the islands to develop. They want to show that the government and the people can't do anything here on their own and have to give them up."

He says his aim is to attract foreign investment from North America, Europe, and South East Asia to develop the fishing industry, plus unexploited areas such as tourism and so far untouched mineral wealth, which includes 500 tonnes of gold and silver.

Despite the fact that rapid improvements are unlikely unless Japan ends its embargo on any finance for the islands ("this is our only means of leverage," explained a Japanese diplomat), Mr Pokidin and others hope that market reforms will do the trick. "The real problem is not which country these islands belong to but the fact that there has been no private property," says Mr Givi Kasyayev, one of Kunashir's budding entrepreneurs, who bought the island's first private fishing boat and plans to open a hotel next. "Everything will be fine once the island has real owners."

Mr Mikhail Potomarin, the deputy prime minister who is helping to prepare the trip, said in Tokyo yesterday that

Mr Yeltsin would announce his support for the 1956 declaration in which Moscow agreed to return Hobbemai and Shikotan but that it would be difficult for him to hand over territory in the near future.

"This is because of a conservative wave sweeping Russia which makes it unlikely that the country will be parting with any territory in the near future."

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Call for banks to act on CIS debt

By David Waller in Frankfurt

CREDITOR banks to the former Soviet Union should strive to head off a government-to-government solution to the debt crisis which would work against the commercial interests of private sector banks, Germany's second biggest bank said yesterday.

Mr Ernst-Moritz Lipp, chief economist of the Dresdner Bank, said the 600 or so private sector creditor banks should negotiate a complete rescheduling of the debts owed by Russia and other former Soviet republics, rather than settle for a government-to-government deal which might force creditor banks to accept substantial write-offs.

The total ex-Soviet debt, including capitalised interest, is believed to be around \$30bn, and is mostly owed to governments or international institutions.

The former Soviet Union is believed to owe only DM10bn-DM12bn to commercial banks, which have been steadily reducing their exposure over the last three years.

Governments and banks announced a 90-day rollover of the debt at the end of June after receiving interest payments of only \$170m out of a total of \$1.2bn due in the first five months of the year.

The call, which amplified comments by Mr Wolfgang Röllner, the bank's chief executive in Hamburg on Tuesday, comes ahead of next month's meeting of the Paris Club of government creditors. Dresdner fears the Paris Club may do a direct deal with the former Soviet Union involving a reduction of the total debt payable.

A better solution, according to Dresdner, would be a formal rescheduling of the debt over two to three years, thus avoiding a repetition of governments' debt deal with Poland in 1990.

Under government pressure at the time, banks were obliged to accept a 50 per cent write-down of their debt, although on their own the banks had been able to negotiate better terms.

"We have to do a deal with the Russian side as early as possible," said Mr Lipp yesterday. "We want to avoid the situation where the banks are obliged to accept a political solution simply because we have been inactive."

Bankers attack Italy's rate cut

By Haig Simonian in Milan

MR Giovanni Goria, Italy's finance minister, yesterday sounded a cautious note on further interest rate cuts following Monday night's decision by the Bank of Italy to lower key rates by half a percentage point.

He said: "I think that the governor of the Bank of Italy has opted for small steps rather than one isolated big step and that is why the markets are waiting in this period."

Mr Goria's comments follow criticisms by some bankers that the Bank of Italy was hasty in lowering the official discount rate to 13.25 per cent and its rate for fixed-term advances to banks to 14.75 per cent.

The move was criticised by some economists as being premature because of the continuing uncertainties surrounding the lira, which lost ground against the D-Mark yesterday. The Italian currency was fixed at 756.36 to the D-Mark, against 755.83 on Tuesday.

Shares on the Milan stock market closed lower yesterday in thin trading, with the Comiti equity index falling by 4.72 to 419.63. Meanwhile, money market interest rates continued to decline, with the Bank of Italy's rate for repurchase agreements with commercial banks declining to 14.29 per cent compared with 15.86 per cent at the last tender offer on July 31 and a peak of 17.56 per cent on July 22.

JBRI, a subsidiary of the Nihon Keizai Shimbun group, reduced to AA plus from triple A Italy's rating for debt. A similar move has already been made by the leading US debt rating agencies. Italy is the only G7 member not to have triple A borrowing status.

Greece to privatise strike-bound buses

By Kerin Hope in Athens

ATHENS' commuters face the uncomfortable prospect of riding army lorries to work for the rest of the summer, after a government decision to privatise the strike-plagued city bus service.

Legislation allowing private owners to operate the fleet of 1,400 buses was presented to parliament yesterday. Details of the transfer will take weeks to work out, according to government officials.

The Greek capital has been without buses for two weeks. Bus company employees declared an indefinite strike after the government fired 1,024 clerical and technical staff under a scheme to reduce

Bankers have cautioned that the discount rate cut, demanded by industrialists after last Friday's agreement to end the *scala mobile* wage indexation system, was risky in view of imponderables such as the French referendum on the Maastricht treaty on European union and the need for further detailed negotiations between ministers, employers and unions on a new wage bargaining system, which the government hopes to conclude by mid-September.

Meanwhile, strong signs emerged yesterday that the Senate, the upper house of parliament, would approve the government's L30,000bn (\$36bn) emergency budget package, passed last week in the lower house. However, dealers warned that the new government of Prime Minister Giuliano Amato, which has a 16-seat majority, would face a much sterner test when it puts forward its 1993 budget plans in September.

Uncertainties over Italy's structural economic problems were among the reasons behind yesterday's decision by a leading Japanese credit rating agency to lower its rating for Italy's yen-denominated debt.

JBRI, a subsidiary of the Nihon Keizai Shimbun group, reduced to AA plus from triple A Italy's rating for debt. A similar move has already been made by the leading US debt rating agencies. Italy is the only G7 member not to have triple A borrowing status.

Greece to privatise strike-bound buses

By Kerin Hope in Athens

ATHENS' commuters face the uncomfortable prospect of riding army lorries to work for the rest of the summer, after a government decision to privatise the strike-plagued city bus service.

Legislation allowing private owners to operate the fleet of 1,400 buses was presented to parliament yesterday. Details of the transfer will take weeks to work out, according to government officials.

The Greek capital has been without buses for two weeks. Bus company employees declared an indefinite strike after the government fired 1,024 clerical and technical staff under a scheme to reduce

German jobless total rises further

By Christopher Parkes in Bonn

UNEMPLOYMENT in Germany rose by almost 180,000 in July as the economic slowdown and the factory summer close-downs took their toll. In the west, a further fall in utilisation of manufacturing capacity underlined the trend to contraction.

The federal labour office blamed continuing industrial restructuring for most of the 65,000 job losses in the east, which took unemployment to 1,183,200 or 14.6 per cent of the workforce.

The western total rose 112,000 to 1,827,700, or 6 per cent, the office said.

A survey of industrial plant usage by the Ifo economics institute showed 15 per cent of all manufacturing capacity standing idle, 0.6 per cent more than in March.

Areas worst affected were investment goods, with 82.7 per cent of plant in use, and components makers, with 83.9 per cent.

Swiss leaders want to delay vote on EEA

Swiss political leaders want the referendum on joining the European Economic Area postponed to next spring, writes Ian Rodger in Zurich.

The poll has been scheduled for December 6. Postponement would mean that the EEA, a free trade treaty between the European Community and the seven members of the European Free Trade Association, could not start at the beginning of next year as planned.

Leaders of the four coalition parties want more time to convince Swiss voters of the merits of the EEA. To comply with the treaty, Switzerland has to amend 60 laws in the next few months, many impinging on citizens' rights.

Other EFTA member countries, especially Sweden, have been pressing Switzerland not to delay ratification.

Unemployment in Sweden at record level

Swedish unemployment soared in July to 307,000 or 6.5 per cent of the workforce, the highest figure in half a century, writes Robert Taylor in Stockholm.

Mr Göte Bernhardsson, head of AMN, the labour market board, warned that Sweden's internationally famous labour market system with its emphasis on training and work for the unemployed was under threat as a result of the rapid escalation in the jobless total. The figure has more than doubled in a year.

Commission upsets bankers

The Luxembourg Bankers' Association (ABBL) has complained to the European Commission that it tarnished Luxembourg's reputation as a banking centre by releasing information prematurely about a probe into interest rate-fixing, writes Andrew Hill and Reuter in Brussels.

The Commission said last month it was "urgently investigating" one unnamed national banking association which recommended a level of commercial interest rates to its members. Brussels cleared all other national associations of illegal collusion.

Mr Charles Ruppert, the ABBL president, has complained to the Commission that journalists received the information before they did.

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German jobless total rises further

By Christopher Parkes in Bonn

UNEMPLOYMENT in Germany rose by almost 180,000 in July as the economic slowdown and factory summer closures took their toll. In addition, a further fall in the rate of manufacturing capacity utilisation undermined the trend to no net new jobs.

The federal labour office blamed continuing industrial restructuring for most of the 65,000 job losses in the month, which took unemployment to 1,188,200 or 14.6 per cent of the workforce.

The western total rose 112,000 to 1,227,700, or 6.6 per cent, the office said.

A survey of industrial plant usage by the Ifo economic institute showed 15 per cent of all manufacturing capacity standing idle, 0.6 per cent more than in March.

Areas worst affected were investment goods, with 21 per cent of plant in use, and components makers, with 18 per cent.

Swiss leaders want to delay vote on EEA

Swiss political leaders want to delay the referendum on joining the European Economic Area until next spring, when the government is expected to win a majority in the next election.

The poll has been scheduled for December 6. Postponement would mean that the EEA, free trade treaty between the European Community and the seven members of the European Free Trade Association, could not start at the beginning of next year as planned.

Leaders of the four political parties want more time to convince Swiss voters of the merits of the EEA. To complete the treaty, Switzerland has agreed 90 laws in the last month, many imposing citizens' rights.

Other EFTA member states, especially Sweden, have been pressing Switzerland to delay ratification.

Unemployment in Sweden at record level

Swedish unemployment rose in July to 207,000 or 10.9 per cent, the highest figure in 1992, says the Labour Market Board.

Mr Göte Bernmark, head of the board, warned that the unemployment rate would rise further if the government's budget cuts were not reduced. He said the unemployment rate was a result of the recession in the private sector.

Commission upsets bankers

The Luxembourg-based Commission on the Money Market has issued a report which says that the money market is in a state of "severe disequilibrium".

The Commission, set up by the European Central Bank, says that the money market is in a state of "severe disequilibrium" and that the European Central Bank should take action to restore balance.

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Ramos tries to work a miracle for Philippines

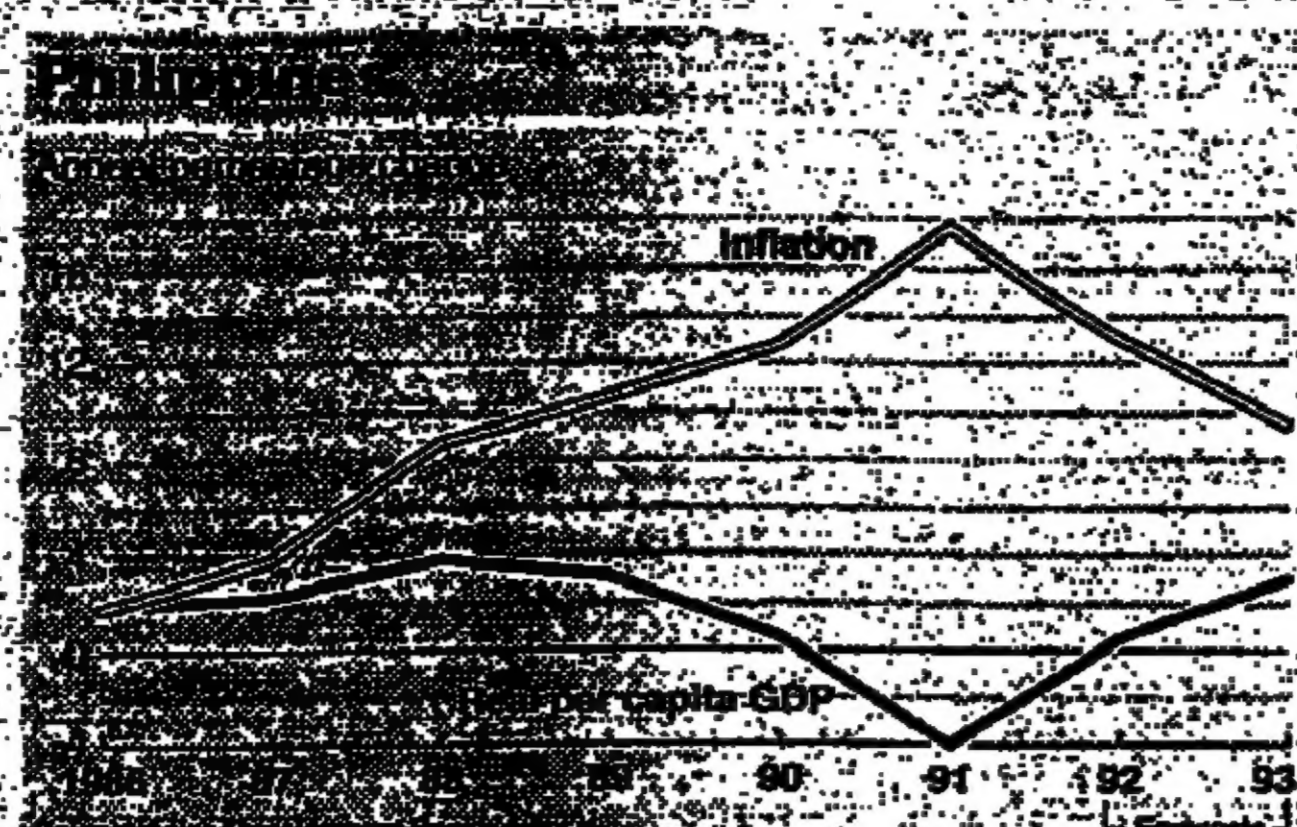
Reforms are essential to boost economic confidence, writes Jose Galang, but they won't be popular with the electorate

THE Philippines' new government appears headed for some rough waters in its attempts to lift investor confidence, vital for sustained economic recovery.

Mr Fidel Ramos, the former army general who became the new president on June 30, has said his administration will aim to attract investment and trade, generating more jobs in the nation of 65m people.

However, a number of politically unpalatable measures - including new taxes and the easing of protective regulations on domestic industry - are included in reforms seen as essential for the absorption of increased investment. Experts believe that unless these reforms are implemented, the economy could only hope to grow by 2-4 per cent a year.

While the local business sector has generally backed the new government's economic



Philippines: Inflation and GDP

programmes, support could be expected to be forthcoming.

The labour sector, whose plea for legislated wage increases has just been rejected by Mr Ramos, is also expected to oppose the planned tax measures and press for pay rises compensating for loss of

purchasing power over the past two years.

The government's difficulties are illustrated by the recent decision to raise import tariffs on sugar, which the Philippines exports in large volumes.

The tariff increase was prompted by sugar industry leaders' protest against the

planned opening up of the local market to sugar imports from October, but the move contradicts Mr Ramos' repeated statements that he would strive for more deregulation and liberalisation of the economy.

Despite the difficulties, the Ramos administration's economic managers are confident they can pull off "the next economic miracle" in Asia. They say there is a positive outlook among foreign investors and creditors to back up their optimism.

Mr Ramon del Rosario, finance secretary, and Mr Jose Cuisia, governor of the Central Bank of the Philippines, are in the thick of a campaign to reduce the overall public-sector budget deficit to levels required under an economic stabilisation programme supported by the International Monetary Fund.

The central bank has been sopping up excess cash on the

streets via high-yielding Treasury bills. Interest rates on the issues have so far been only slightly above normal levels, but some bankers see the rates surging in coming weeks.

Any big jump in commercial lending rates, which could fuel inflation, will be a drag on industrial activity, which is only starting to recover from the dampening effect of an import levy early this year.

The IMF has been asking local finance officials to sell off more state corporations to bring down the government budget deficit, but Manila has fended off the pressures, opting instead to raise revenues through new tax measures and improved collection.

Adherence to IMF conditions is crucial for continued access to commercial and official credit. Any disruption in that, Mr del Rosario says, could derail recovery efforts.

He hopes that by keeping a

stable relationship with the international financial community, the Philippines could "again attract flows from the voluntary capital markets".

After ensuring continued links with the country's creditors, the government also plans to present to the IMF for credit support a "growth-oriented, medium-term programme". Senior officials at the policy-making National Economic and Development Authority (Neda) are focusing on the long-term objectives, instead of worrying over possible short-term distractions.

Mr Clelio Habit, economic planning secretary and Neda director-general, says the Ramos administration targets a "double-digit annual growth rate" in GNP by the end of its term in 1998. That should put per capita GNP - now at about \$750 (\$282 - at \$1,000) - on a par with the Philippines' neighbours.

Mr Habit says new foreign financing, which costs less than domestic credit, will be sought for the government's growth-oriented strategies over the next two to three years.

the region's newly industrialising economies.

The aim is also to instil "world competitiveness" into domestic industry, according to Mr Habit. For the short-term, he says, there will be no pump-priming scheme similar to that witnessed in the early years of the previous administration. But there will be a deliberate move to prevent a decline in investments in capital expenditures.

In the proposed 1993 budget approved by the Ramos cabinet yesterday, capital investments are targeted at 5.8 per cent of GNP. The allocations will include power plants and other infrastructure projects that could attract more private investors.

Mr Habit says new foreign financing, which costs less than domestic credit, will be sought for the government's growth-oriented strategies over the next two to three years.

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Malaysia court stays closure of plant in gas row

By Kieran Cooke in Kuala Lumpur and Gordon Cramb in Tokyo

THE Malaysian Supreme Court has ruled that a Japanese-controlled company allegedly emitting quantities of radioactive gas can continue operations, pending an appeal against an earlier shut-down order.

The Asian Rare Earth company, 35 per cent owned by the Mitsubishi Kasei group, Japan's largest chemical company, produces minerals used mostly in the manufacture of electronic components.

Its factory is near the town of Ipoh, in northern Malaysia.

Last month the Ipoh High Court ordered the factory to stop operations within 14 days, citing evidence showing that the health of local residents had been threatened by emissions from the plant.

Supreme Court judge Mohamed Yusoff Mohamad said it was impossible to switch off the entire manufacturing process at the plant in the time imposed by the original court order. "The mandatory injunction to remove toxic and radioactive waste within a period of 14 days is not adequate, as this removal involves scrapping of the plant which has been in operation for more than 12 years," the judge said.

"These factors alone would cause harm to the appellant and hardship to its 183 employees if injunctions were allowed to operate before the appeal is heard and disposed of."

Local residents who have fought for the plant's closure for several years were upset by the verdict. They were particularly angry that the judge had criticised a member of the local residents' committee for trying to dissuade Mitsubishi from taking part in a court appeal.

The original Ipoh High Court judgment had accepted evidence of a growing number of cases of leukaemia, infant deaths and congenital disease in the vicinity of the factory. Lawyers for Asian Rare Earth say they will make a full appeal to the Supreme Court seeking to overturn the Ipoh court ruling.

Mitsubishi Kasei said in Tokyo that the company did not want the plant to operate until local objections had been resolved. However, it had only a one-third stake in Asian Rare Earth, and the six Malaysian shareholders would have a strong role in making any such decision.

An official acknowledged that the negative publicity - and a threatened boycott of all Mitsubishi group products in Malaysia - had hurt the Japanese company's image. But he insisted it had behaved correctly and disputed the evidence of contamination.

The Japanese government has been seeking to project a tougher attitude over the country's multinationals which, environmental groups argue, are exporting dirty industries to countries with less stringent rules.



Japan's coastguard yesterday detained six activists of the environmental group Greenpeace for questioning, hours after they hung a banner at a shipyard (pictured above) to protest plans to transport plutonium, Reuter reports from Tokyo.

A coastguard spokesman in Yokohama, south of Tokyo, said he did not know if they would be formally arrested or when questioning would be completed. A Greenpeace spokeswoman told a news

conference the treatment was tantamount to an arrest.

Riding in three rubber boats, an eight-strong group hung a 10-metre banner across a dry dock housing the Akatsuki Maru, the ship due to carry one tonne of reprocessed plutonium from France later this year.

The Akatsuki and an accompanying coastguard cutter are due to bring the highly radioactive material for use in Japan's

ambitious nuclear energy programme. The timing and route of the shipment have been kept secret.

Soon after the eight Greenpeace activists disembarked they were surrounded by some 25 coastguard officers and police, said Greenpeace staff member Rebecca Johnson.

Two Japanese, two Britons, a Dutch national and an Australian were taken to the coastguard's Yokohama office.

Japan's day labourers pay price of recession

Emiko Terazono reports on the economy's outcasts

IT'S "a recession, it's really hard finding good paying jobs now," says Mr Kazuo Hara, a 51-year-old day labourer and one of 8,000 workers in Tokyo's day-labourer district. He says he sleeps on the streets because he cannot afford a room.

Unlike Japan's middle-class office workers, who are guaranteed a lifetime job by the company, the outcasts of the Sanya district in east Tokyo are feeling the impact of Japan's economic downturn.

However, the number of *teishiti* and their mini-vans have declined.

Mr Hara, who looks older than his 51 years, says he needs connections to find a daily job. "If you make friends with one of the recruiters, he'll take care of you."

His clothes, a blue corduroy shirt and worn out trousers, were given him by a nearby Catholic volunteer centre, but Mr Hara says he would rather not work than be cheated by the recruiters, who are often connected with the *yakuza*, or gangsters.

Some of the more small-time recruiters and employers have started to take advantage of the decline in jobs to exploit the workers. "They'll give us a weekly job contract, but will charge unrealistic prices for meals, toilet paper, and cigarettes, so we end up with only ¥4,500 [£86] for a day's job," says Mr Hara. Some employers, usually subcontractors of small construction companies, he says, lock workers up in a room so they cannot run away.

At the height of the economic boom in the late eight-

ies, day labourers could earn as much as ¥13,000 daily for clearing and digging land. This enabled them to move into business hotels, with air conditioning and television sets for around ¥4,000. However, the business hotels, a luxury by Sanya standards, are also facing a decline in patronage as an increasing number of workers opt for cheaper

Around dawn, the labourers, mostly men in their fifties, gather at Sanya's job market where recruiters hang around waiting to take them off to construction sites and factories

flapdouses costing ¥800 a night, or the streets. Those who fail to find a job with a recruiter move on to the district's employment centre, a grey concrete building where day jobs are posted from 6.30am. However, even at the centres, the number of jobs have fallen, with employment offers at the three employment centres in the Sanya district for the last fiscal year falling 18 per cent from the previous year.

A day for a labourer who has not found a job begins with glasses of sake and beer at one of the drink stands which open

as early as six in the morning. By their sides are sports bags containing their belongings. Many are alcoholic, some are tubercular. Because of poor living conditions the local incidence of tuberculosis is more than 20 times the national average.

Mr Hara, who is trying to give up drinking, came to Sanya, second in size only to Osaka's Nishinari day labour district, at the beginning of the construction boom in the mid-1980s following the Olympic Games in Tokyo. He says proudly that he helped build the Budokan, a martial arts auditorium in central Tokyo, when he had just started as a day labourer.

"But now it's worse than the oil shock periods," he says as he queues at the welfare centre in the centre of Sanya for a food ration consisting of a loaf of bread and two small cartons of milk. Mr Noriyasu Okamoto, a manager at the Joushoku Welfare Centre, says that the number of homeless workers who have come for counselling and aid have increased during the past year. The monthly figure rose above 3,000 cases last January for the first time in eight years.

"What about Miyazawa's [the Japanese prime minister's supplementary budget]?" asks Mr Okamoto, adding that an economic package to boost the economy by frontloading public works projects should increase jobs for labourers. "No way," says Mr Hara, waving a hand mutilated by past accidents at steel mills. "Miyazawa's not going to change anything. Things are going to get worse next year. I can feel it."

Taiwan shows big increase in imports

TAIWAN'S trade surplus fell 87 per cent to \$210m in July from \$1.61bn in the year-earlier month, AP-DJ reports from Taipei.

The Ministry of Finance said the month's total exports amounted to \$6.88bn, down 2.7 per cent from the same month a year earlier, while overall imports stood at \$6.68bn, up 22.1 per cent.

The country registered surpluses in trade with Hong Kong and the US, while showing deficits with Japan and Europe. The largest contributor to July's surplus was the trade balance with Hong Kong, which rose to \$1.15bn, up 8.9 per cent from the same month a year ago.

The remaining surplus was generated by trade with the US, netting \$810m, down 9.8 per cent from a year earlier. Washington is pressing Taipei to cut the surplus.

However, Taiwan suffered a trade deficit of \$1.34bn with Japan in July, 40 per cent wider than the gap a year earlier. The republic also suffered a trade deficit with Europe of \$160m, in contrast to a surplus of \$320m a year earlier.

Officials said the strength of the Taiwan dollar, which hit a record high of 24.5070 to the US dollar on July 9, helped to depress exports. Imports were fuelled by purchases of machinery and materials for big infrastructure projects.

Indian court orders Ayodhya inquiry

THE Indian Supreme Court yesterday appointed a three-member commission to report on the "nature, extent and magnitude" of construction work on the disputed site in Ayodhya, Shriyash Shrivastava writes from New Delhi.

The commission - headed by the court's registrar and using the expertise of an architect and a civil engineer - will submit its findings to the court within two weeks.

Their report will be used to ascertain whether the Uttar Pradesh government violated two court orders prohibiting construction of a permanent structure on land claimed by both Hindus and Muslims.

Mr Narasimha Rao, the Indian prime minister, has begun talks consultations with senior political leaders to find a consensus solution to the Ram temple issue.

A special cell in the prime minister's secretariat, headed by Mr Manohar Chandra, former cabinet secretary, will monitor the Ayodhya dispute.

New Delhi went without newspapers yesterday after journalists went on strike for higher wages, AP reports.

All the city's newspapers are privately owned, but wages are controlled under a 1988 agreement recommended by a government-appointed commission.

The minimum wage for a reporter is \$40 a month.

Mozambique opponents in peace talks

PRESIDENT Joaquim Chissano of Mozambique and Mr Afonso Dhlakama, leader of the Renamo rebel group which has fought the government for 16 years, shook hands yesterday and said they both wanted peace, Reuter reports from Rome.

Formal negotiations on ending civil war in the drought-stricken country where millions now face starvation opened a few hours after private talks, which had continued through the night. The rebel leader had signalled how much closer the old enemies had grown by declaring: "I trust President Chissano."

Chissano said the meeting had gone well.

A senior Mozambican official said the six-hour private meeting, which broke up shortly after dawn, brought together President Robert Mugabe of Zimbabwe, Mr Chissano, Mr Dhlakama and Mr

"Tiny" Rowland, chief executive of the British conglomerate Lonrho.

Mr Rowland, who has business interests in southern Africa, was the driving force behind a breakthrough meeting in Gaborone last month between Mr Mugabe and Mr Dhlakama. This paved the way for the three-day meeting that opened in Rome yesterday.

The meeting, which caps two years of negotiation, aims to draw up a basic agreement on ending the war.

But the Italian ambassador to Mozambique, Mr Manfredi Incisa di Camerana, said a full settlement would only be signed at an African summit, which would probably be held in Gaborone, Botswana. Mr Gasitwe Chiepe, Botswana's foreign minister, was at the Rome talks, he said.

Although Mr Chissano and the Renamo leader both voiced their desire for peace, the two sides still disagree on many points and it is not clear yet whether the meeting can produce an immediate end to fighting.

An Italian Foreign Ministry spokesman, briefing reporters on the day's formal talks, said Mr Chissano had stressed the urgency of a ceasefire and that Mr Dhlakama had assured the meeting he did not want to leave Rome without one.

But the rebel leader said Renamo had to receive assurances about its safety before it could lay down arms. "We must have guarantees that we will survive and be able to operate politically," one official summed him up as saying.

The Mozambican president said he was willing to provide all necessary assurances that the security of Renamo members would be guaranteed and that they would have complete freedom of movement once a peace accord had been signed.

UK denies 'Trojan horse' sent to Kuwait

British Airways and the Ministry of Defence yesterday denied allegations that a jet trapped in Kuwait during the early stages of the Gulf crisis was a "Trojan horse" flying elite troops to the emirate.

Reuter reports from London. Reports in a Scottish newspaper alleged that 32 Special Air Service (SAS) men boarded the Boeing 747 two minutes before it took off from London's Heathrow airport on August 1, 1990, and then disappeared when it landed in Kuwait.

But a Ministry of Defence spokesman said: "We don't discuss special forces, but to my knowledge there were no military personnel on board." British Airways gave a categorical denial that SAS men were on board.

Pakistan pledge on Kashmir

Mr Nawaz Sharif, Pakistan's prime minister, said yesterday the country had a mission to free the Himalayan region of Kashmir from Indian rule. Reuter reports from Islamabad.

Pakistan would fulfil its commitment to Kashmiri people, Mr Sharif told a rally in Pakistan-ruled Azad (Free) Kashmir before leading the crowd in chanting "Kashmir will become Pakistan".

India rules two-thirds of Kashmir and Pakistan the remainder. The two countries have fought two of their three wars since independence from Britain in 1947 over the region.

Chiluba fires minister

President Frederick Chiluba of Zambia yesterday fired a minister accused of irregular business practices and vowed to stamp out corruption in his nine-month-old government.

AP reports from Lusaka. In the first cabinet reshuffle since his election last November, Mr Chiluba said he had fired Mr Ephraim Chibwe, the minister of works and supply, after a probe into Mr Chibwe's business affairs. He gave no details of the investigation.

Promising to investigate corruption charges, President Chiluba said he wanted to make his government "more accountable and transparent... without sweeping anything under the carpet". He said he had asked cabinet ministers to provide him with a list of their business and financial assets.

Israel attacks refugee camp

Israeli helicopter gunships yesterday attacked Palestinian guerrilla positions in south Lebanon, wounding four people, security sources said. Reuter reports from Sidon.

The raid was the fourth attack on guerrilla targets in Lebanon in four days. The sources said three helicopter gunships fired eight air-to-surface missiles at the refugee camp of Rashidiyeh in Tyre, 85km south of Beirut, drawing heavy anti-aircraft fire.

Afghan leader targets airport

A headline Afghan guerrilla leader yesterday demanded that Kabul airport be closed after a night of heavy rocket attacks on the capital killed at least 35 people, Reuter reports from Kabul.

Gulbuddin Hekmatyar, whose Hezb-Islami party is a partner in Afghanistan's Islamic government, said Kabul airport, controlled by General Abdul Rashid Dostum's Uzbek militia forces, was being used for military activity. "Until the problem of insecurity in Kabul is solved, the city airport should be closed," he said.

Earlier, a Hezb communiqué received in neighbouring Pakistan said the party would shoot down military planes using civil airports to frustrate what it called a plot by authorities to bomb its positions.

Angry Mobutu closes down TV

State media yesterday blanked out coverage of Zaire's national conference after delegates voted to change the country's name back to Congo, Reuter reports from Kinshasa.

The blackout by radio and television was apparently ordered by President Mobutu Sese Seko who challenged Tuesday's decision to scrap the name he chose in 1971. He has demanded a referendum on the pro-democracy forum's vote by a 2-to-1 majority to revert to the country's former name, flag, motto and anthem.

NEWS: AMERICA

CONGRESSIONAL PRIMARIES

Women succeed as incumbents slide

By Jurek Martin
in Washington

WOMEN did well and incumbents poorly in the latest round of state primary elections for Congress on Tuesday, confirming trends apparent all year. Victories by two Democrats, Gloria O'Dell and Geri Rothman-Serot in Kansas and Missouri respectively, bring to nine the number of women, eight of them Democrats, who will be contesting Senate races in November. This is already close to a record, with many states still to hold primaries.

At present the Senate has only two women members, Barbara Mikulski, the Democrat from Maryland, who is heavily favoured to win re-election, and Nancy Kassebaum, the Republican from Kansas whose seat is not up this year.

Two House members — the Republicans Mr Guy Vander Jagt in Michigan, a 13-term veteran, and Mr Dick Nichols in Kansas — lost on Tuesday, bringing to 15 the number of sitting representatives beaten in primaries. The number of

seats that incumbents will not be defending rises to well over 60 when retirements are included. Total changeover in the House could exceed 100.

Ms O'Dell and Ms Rothman-Serot will do well even to threaten the Republican incumbents in November. Senators Robert Dole in Kansas and Christopher Bond in Missouri won their primaries easily and start heavy favourites.

But other women Senate candidates are faring much better. Latest polls in Illinois give Carol Mosely Braun a 30-plus point lead over a lacklustre Republican nominee, while in California Barbara Boxer and Dianne Feinstein, both Democrats, are ahead by 15-20 points. Lynn Yeakel is given a real chance in Pennsylvania.

Mr Bill Clinton, the Democratic presidential nominee, has had no hesitation in hitching himself to the women's bandwagon, which is motoring along on two major causes: freedom of reproductive choice and opposition to the sort of sexual harassment evident in the hearings last year for

Judge Clarence Thomas's nomination to the Supreme Court. Mr Clinton left Arkansas yesterday with Senator Al Gore, his running mate, on another bus tour. In three of the six midwestern states on the itinerary — Illinois, Missouri and Iowa — his party is fielding women Senate candidates.

His broader hope is to repeat the success of the maiden road cruise after the New York convention last month, thus keeping President George Bush on the defensive. But his message of change now thoroughly embraces gender. In some states, popular women candidates like Ms Braun may help his presidential ambition, in others his current big lead over Mr Bush constitutes a coat-tail that women may find helpful.

Mr Bush also took to the road yesterday, but to more conventional campaign events in New York and Nevada in front of Catholic and military veterans' associations. His appeal to women voters is mostly based on his call for the restoration of traditional family values.

Interest rate cuts fail to boost US property

By Michael Prowse in Washington

LOWER interest rates provided "little impetus" for residential and commercial property in July, despite sparking another round of mortgage refinancing, the Federal Reserve said yesterday.

In its latest "Beige Book" assessment of regional trends, the Fed said economic activity had been uneven in recent weeks. Retail sales and manufacturing production had grown weakly in most districts but there was no evidence for the robust recovery predicted by the Bush administration earlier this year.

Testifying before the Senate banking committee in Washington yesterday, Mr Nicholas Brady, the Treasury Secretary, again criticised the Fed for failing to provide a big enough stimulus to revive the economy.

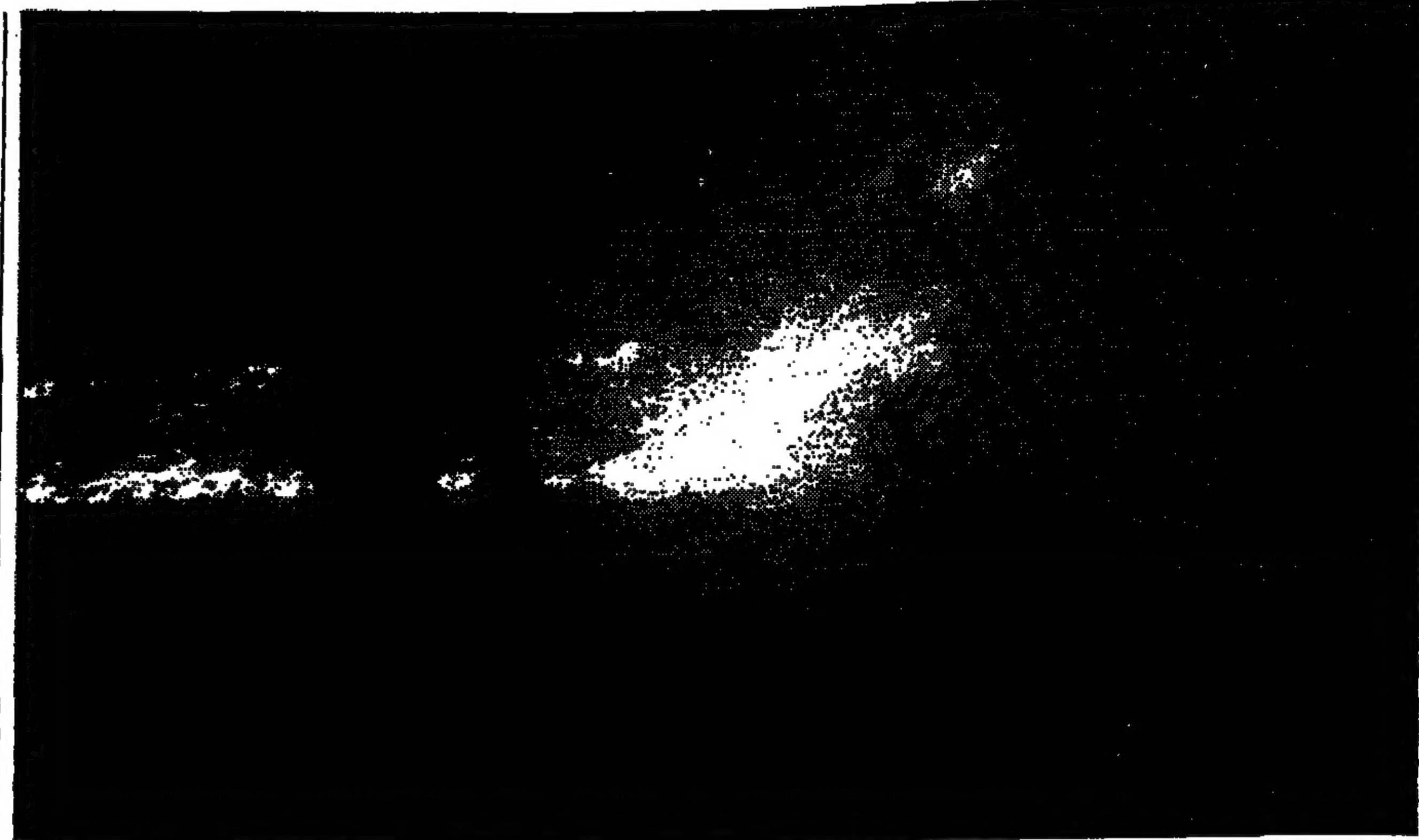
He said he was not satisfied with the growth of M2, a broad measure of money, which has fallen below the bottom of its 2.5-6.5 per cent target range.

In an interview with the Wall Street Journal this week, Mr Brady applied oblique pressure for further interest rate cuts by expressing support for congressional demands that the Fed be made more accountable to the executive and legislative branches of government.

In yesterday's testimony Mr Brady stressed the importance of having an independent central bank, but he indicated that the right of regional Fed presidents to vote on monetary policy decisions might need to be reviewed.

The Beige Book survey, which covers the six weeks to July 28, said consumer and business loan demand had strengthened in a few regions but remained generally weak.

Lower interest rates had had little impact on either residential or commercial real estate markets, which remained sluggish.



A US forest ranger battles to put out a fire in Moccasin, California, on a day when a heatwave caused fires to rage out of control in several areas, including Yosemite national park and central Idaho

Brazil ponders radical reforms

A parliamentary system is on the cards, says Christina Lamb

ONE of the most popular plays showing in Rio de Janeiro is a reconstruction of the events of August 1964, when President Getulio Vargas was driven to suicide by a wave of financial scandals surrounding his government and family.

Not surprisingly, the play provokes parallels with President Fernando Collor's attempts to hold on to power amid a torrent of corruption allegations.

The current crisis and Brazil's history of a succession of civilian presidents failing to finish their mandates, is prompting increasing debate over the viability of the presidential system.

During the last few weeks, as Mr Collor's position has become increasingly untenable, the campaign for a parliamentary system has been gaining weight and political leaders from all sides have been meeting to discuss a sweeping reform of the political system and electoral laws.

Mr Ihsen Pinheiro, president of the chamber of deputies, believes reform is more pressing than the parlous economic situation.

Under Brazil's present system candidates are elected individually rather than by party on a state-wide basis in a confusing "open-list" version of proportional representation.

This has resulted in weak parties divided into factions, and a lack of accountability in politicians. Representation is skewed in favour of smaller rural states while, in reaction to 21 years of military regimes up to 1985, the rules governing party formation are completely liberal.

Any group of 110 people can form a party and gain access to free television time and this, combined with a lack of ideology and no rules governing party discipline, has led to the constant creation of new parties.

The 1990 congressional elections were contested by 30 parties and no party won anything approaching a majority. The president's party secured only

23 out of 503 seats, making governing almost impossible.

Under the current system responsibility lies with the president and authority with Congress, which must approve his actions. Thus Mr Collor has had to build new coalitions for every project.

Mr Carlos Garcia, the minister for special projects, says: "No president can last five years in this situation — it's crisis after crisis".

Congressional leaders are now hard at work on new laws changing the electoral system from statewide proportional representation to district voting similar to that used in Germany, introducing rules on party loyalty and insisting on a minimum percentage of votes for a party to be represented in Congress.

They also hope to legislate on campaign contributions from businessmen. Many of the allegations surrounding Mr Collor have resulted from the presidential campaign costs of as much as \$100m (\$22.3m), yet contributions over a few hun-

dred dollars are forbidden.

Politicians say this October's municipal elections will be the cheapest ever, because in the current climate of suspicion no one dares accept or make major contributions. The estimated cost of being elected mayor of a medium-sized city has dropped from \$15m-\$20m to \$100,000.

Brazil is due to hold a nationwide referendum on the form of political system next April. Voters will have to choose both between a return to constitutional monarchy or maintaining the republic, and between a presidential or a parliamentary system. The latest polls show a majority in favour of the latter.

Mr Ulysses Guimarães, perhaps Brazil's most respected politician, now in his 44th year in Congress, says: "103 years of presidentialism in Brazil has been a disaster right from the first president, Marshal Deodoro Fonseca, who was forced out before finishing his mandate. It's time we accepted that the system doesn't work."

Reagan free of Iran-Contra investigation

By Jurek Martin

FORMER President Ronald Reagan is no longer a target in the criminal investigation being conducted into the Iran-Contra affair.

His lawyer said yesterday he had received a letter from Mr Lawrence Walsh, the special prosecutor, stating he was now regarded only as a witness, not a subject, in the probe.

Mr Walsh has said other indictments against senior figures in the Reagan administration might be brought by the end of the summer. So far only Mr Caspar Weinberger, the former defence secretary, has been charged.

Milken likely to be released next March

By Patrick Harverson in New York

MR Michael Milken is likely to be released from a California prison next March after a federal judge yesterday sharply reduced the disgraced financier's minimum sentence because of his co-operation with government prosecutors in a number of recent fraud cases.

Judge Kimba Wood, who in November 1990 sentenced Mr Milken to 10 years in jail for securities fraud, reduced the amount of time Mr Milken will have to serve in prison before he is eligible for parole from 40 months to 24 months.

Mr Milken has already

served 17 months of his sentence, so he should be freed, assuming continued good behaviour, in early March 1993. After that he will still face three years of probation and community service.

Judge Wood said she reduced Mr Milken's minimum sentence because of his "substantial assistance" in the successful prosecution two months ago of Mr Alan Rosenthal, a former colleague at securities house Drexel Burnham Lambert, and because of the help he had given the Securities and Exchange Commission in bringing other enforcement actions.

The judge said Mr Milken had been a "model prisoner".

NEWS: WORLD TRADE

US criticism over chips sales worries Japan

By Robert Thomson in Tokyo

THE Japanese government and electronics industry expressed disappointment yesterday at the US trade representative's finding that there has not been "sufficient progress" in foreign penetration of Japan's semiconductor market.

Japan's Electronic Industries Association (EIAJ), insisted that the review of last year's US-Japan semiconductor pact had overlooked "significant" expansion of foreign suppliers' market share since the first semiconductor pact was signed in 1986.

Japan is concerned that the review's finding will be a starting point for punitive action against the country's electronics industry, and that the US administration will come under pressure to take action during the presidential election campaign.

Under a new semiconductor pact concluded last year, the Japanese government set a target of 20 per cent foreign share by the end of this year. During the first quarter this year, however, that share was only 14.6 per cent and is believed to have fallen since.

Japanese government and industry representatives blame the slowing of the domestic

economy; the US chip industry insists Japan has failed to honour the agreement.

The US Semiconductor Industry Association (SIA) said yesterday that "if maintaining a closed chip market were an Olympic sport, Japan would be the undisputed gold medal winner". It warned that Japan had no make an "all-out, strenuous effort" if it wanted to "avoid further confrontation".

Japan's Ministry of International Trade and Industry (MITI) said it would intensify its calls on users to purchase more foreign chips. However, Japanese companies had already tried to do so.

After a bilateral meeting in June, Japanese users said they would give foreign chip makers access to previously confidential procurement information. MITI, for its part, is encouraging Japanese companies to employ foreign producers at the design stage of new products.

However, the largest Japanese chip users are also producers, and an executive at a leading electronics company said the downturn in the semiconductor and consumer electronics markets had led his company to reduce outside sourcing — Japanese and foreign.

Radioactivity suspected in Japanese products

French restrict food imports

By Alice Rawsthorn in Paris

THE sushi, sashimi and noodle bars of Paris could become the next casualties of the Japanese trade war as the French government has slapped new restrictions on imports of Japanese food into France.

The authorities are concerned about the allegedly high levels of radioactivity in certain imported Japanese foods, particularly mushrooms and dairy products. Late last month, France said it was tightening controls over Japanese food imports, worth FF196m (£20m) last year.

Since August 1, all Japanese food consignments have been subject to radioactivity checks on arrival in France. From August 15 the French will only allow food into the country if it has been tested and certified — in Japan.

This poses a potentially serious problem for anyone buying Japanese food in France. This includes the 30,000-strong Japanese expatriate population and the growing band of Japanese restaurants. Japanese food is now very popular with the French. The area around rue Saint-Anne at the back of the Bibliothèque Nationale in Paris has become a



All Japanese food will have to be cleared for radioactivity before export to France

tiny "Tokyotown" with dozens of noodle bars. It is a common sight on the Paris streets to see motorbikes, and even rickshaws, delivering sushi ordered by telephone or the Minitel computer network.

So far the radioactivity checks have caused only a slight delay in Japanese food supplies. Higuma, one of the rue Saint-Anne noodle bars, said its supplies were coming through as usual.

But after August 15, there is a risk that some products will no longer be available, either

because they fail to comply with the new regulations, or because Japanese exporters divert consignments to other, more accessible countries. The Japanese embassy in Paris warned that prices might have to rise to cover the cost of the tests.

Mr Higa Shinichi, manager of Kinugawa, one of Paris' most exclusive Japanese restaurants, is concerned about the threat of shortages. Like many Japanese restaurants, imports all its food from Japan, apart from fresh fruit and fish.

Congress set to rewrite parts of the Nafta pact

By Nancy Dunne in Washington and Damian Fraser in Mexico City

THE US House of Representatives will today lay the groundwork for a partial rewriting of the North American Free Trade Agreement (Nafta), which US, Canadian and Mexican negotiators are working to wrap up.

The House is due to vote on a resolution, sponsored by more than half the members, warning that no trade pact will be approved that jeopardises US environmental, public health and labour standards.

Mrs Carla Hills, US trade representative, argues forcefully that the final pact will provide all the safeguards Congress desires. But Nafta is caught in the cross-fire of presidential politics and there it will remain throughout the election.

The White House is appar-

ently convinced that Nafta will provide President George Bush with a tangible link between foreign and domestic policy and an achievement which he can argue will create jobs and stimulate the US economy. Mrs Hills has been allotted a speaking role at the Republican convention later this month, where she can put the case for Nafta before the country.

Governor Bill Clinton, Mr Bush's opponent, has praised the proposals put forth last week by Mr Richard Gephardt, the House majority leader. In a speech co-ordinated with other leading Democrats and the presidential campaign, Mr Gephardt called for a cross-border tax to help finance worker retraining, environmental clean-up and building infrastructure along the border.

If the pact does not contain "better wage and benefit replacement proposals" and a number of other conditions, Mr

Gephardt suggested the Congress would write them into the implementing legislation.

Congressional revision of Nafta would put Mexican President Carlos Salinas in an awkward position. He has sold the treaty to the Mexican public as a mechanism to push incomes up to the levels in the rest of North America.

But the prospect of having to renegotiate a supposedly "done deal," combined with an explicit US role in drawing up Mexican environmental and labour law, raises its own problems. The overriding principle of Mexican foreign policy is non-intervention in the affairs of other countries, used largely as a way of defending itself against US interference.

Unless Mr Gephardt waters down some of his more interventionist proposals, there is a possibility the Mexican government would refuse to go along with his revisions to the treaty.

Car giants target Pakistan

PAKISTAN'S tiny car market will be supplied with local production from as many as four of Japan's nine motor groups, following Honda's decision to begin manufacturing there, writes Gordon Cramb in Tokyo.

Suzuki has a long-established car manufacturing presence in the country, while Toyota has a quarter share in a production venture. The local Bhojee group said in Islamabad yesterday it was near to completing talks on the supply of Sunny cars in knockdown kit form from Nissan.

Greek phone deals

Greece yesterday awarded two licences to set up competitive mobile telephone networks to Stet, the Italian state telecoms company, and Panafon, an international consortium led by Vodafone of the UK. The total investment in the networks will be over \$500m, writes Karin Hope.

Europe hails gear dispute victory

By Andrew Baxter

EUROPEAN gear manufacturers were celebrating victory yesterday in a two-year trade battle with the US that ended this week when the Commerce Department decided that gear imports do not threaten national security.

Eurotrans, the umbrella organisation for nine large European industrial countries, said the decision had averted the introduction of crippling import levies. It had prevented the loss to Britain alone of around £10m of gear exports a year.

Mr Michael Opperman, Eurotrans president and chairman of Birmingham-based Cross & Morse, said: "The success of these negotiations was critical to the European gear industry. Exports to the US are essential to our industry, particularly at present because of the recession in our home markets."

Gears, toothed parts which transmit an engine's power to its work, are integral to both the construction and performance of nearly all weapon systems and the Gulf war focused attention on the US defence industry's increasing reliance on foreign-made parts.

Last October the American Gear Manufacturers Association (AGMA) filed a "232 petition" claiming imports were causing a decline in the US gear industry and impairing the US ability to go to war.

Eurotrans maintains the US spends too little on research and development and manufacturing technology, and does not operate to international standards.

Mr Joe Franklin, AGMA's executive director, said yesterday he was not pleased by the result, but stressed that the association had never intended the petition to produce broad-based tariffs or quotas across the gear industry.

EC makes new offer in oilseeds dispute

By David Dodwell, World Trade Editor

THE EUROPEAN Commission yesterday offered the US a fresh compensation package to settle a long-standing conflict over EC subsidies to oilseed crops like soyabbeans, rapeseed and sunflower seeds.

A senior US official said the meeting had ended inconclusively. "There has been some evolution in the EC position, but their revised offer is still well below the level that would be necessary to address the

impairment to US farmers," he said. Both sides say they are willing to meet again, but no dates have been set.

Details were being kept secret. However, the package is understood to contain some compensation on corn imports, which would be of direct benefit to US oilseed farmers, who claim they have lost billions of dollars of exports to the EC because of its subsidy regime.

Yesterday's negotiations in Geneva came less than a week after Mr Ray MacSharry, EC agriculture commissioner, met

Mr Edward Madigan, US agriculture secretary, in an effort to defuse a potentially explosive farm trade conflict.

Fears have mounted of a wider trade war, particularly following the failure of the Group of Seven industrial nations in Munich a month ago to make a breakthrough in the deadlocked Uruguay Round of talks on world trade liberalisation.

The US set an August 18 deadline for settling the oilseeds dispute, and is threatening to impose punitive tariffs

on \$1bn-worth of EC agricultural exports if its oilseeds subsidy regime is not reformed. The list includes wine, cheese, biscuits, gin, liqueurs and tobacco. A US official said yesterday he doubted whether the dispute would be resolved ahead of the deadline.

The oilseeds dispute arose almost five years ago, when Washington complained that EC subsidies contrary to the rules of the General Agreement on Tariffs and Trade (GATT) cut into benefits the EC had granted in 1962 when it agreed

to allow oilseeds in duty-free. An independent GATT dispute panel has twice declared the subsidies unjustified.

For its part, the EC has insisted that US exporters have lost ground to third world exporters rather than because of the subsidy regime. Even now, it refuses to dismantle the regime, instead offering to compensate the US and other oilseed exporters — an option open to it under GATT rules of dispute settlement.

The EC's previous offer was rejected last month.

Recession takes toll on training schemes in UK

By Michael Smith, Labour Correspondent

THE PROPORTION of workers receiving job-related training has suffered a significant setback since the start of the recession, the Department of Employment admitted yesterday.

An analysis in the department's monthly Employment Gazette also suggests that many of the participants in the government's Employment Training and Youth Training schemes do not believe they are receiving significant amounts of job-related training.

The analysis will heighten fears that skill shortages will emerge as a restraint on economic growth once the recession ends. Although this happened in the last recession, the government had hoped companies would heed its calls to maintain training budgets at their pre-recession levels.

The report shows that 14.9 per cent, or 3.16m employees, of working age in Britain reported receiving job-related training in the four weeks before the Labour Force Survey (LFS) in the spring of 1991.

Although this represents a significant increase on figures

in the early 1980s - it compares with 9.2 per cent in 1984 - it is down on the 15.4 per cent of 1990.

The likelihood is that the proportion will have decreased further since the spring of last year because of the recession.

The Gazette's report also charts a decline in apprenticeships. On the basis of responses to the LFS, it is estimated that 330,000 people in Britain were doing an apprenticeship last year, against 367,000 in 1990.

Women have made inroads into apprenticeships, increasing their proportion from 15 per cent in 1984 to 20 per cent last year.

However, the analysis notes that nearly 200,000 of the 738,000 people who said they were participating in YT, ET or undertaking a trade apprenticeship did not feel they had undertaken any job-related training in the four weeks before the survey.

This will fuel fears about the effectiveness of some schemes. The analysis says there are no obvious reasons for the responses, although "variations in individuals' perception of what constitutes job training is a possible explanation".

Treasury acts to prevent costlier home loans

By David Barchard, Philip Coggan, Peter Norman and David Owen

THE UK Treasury yesterday cut interest rates on National Savings, the state savings scheme, in a move apparently aimed at heading off a further mortgage rate increase by building societies. It was the second interest rate reduction by National Savings in recent weeks.

The latest reduction follows repeated warnings from the Council of Mortgage Lenders and building society executives of continuing pressure to put up their mortgage interest rates because of competition from National Savings.

National Savings rates have been cut on a variety of products by

between 0.25 per cent and 0.8 per cent. The 37th issue of tax-free certificates, which were only introduced in May have been withdrawn. The new 38th issue will pay 7.5 per cent if held for five years, compared with 8 per cent on the 37th issue.

Mortgage lenders last night welcomed the news of the reduction, and said that it removed the likelihood of an immediate rise in mortgage interest rates. Halifax, the largest UK mortgage lender, described it as welcome news and said that it reduced some of the competitive pressures on interest rates.

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester, the sixth largest society, also said that the move did not totally remove the

pressure entirely. Nationwide, the second largest society, said that it might now be able to make a small reduction in its own savings rates in line with National Savings.

Yesterday's cuts in savings rates followed a sharp increase in the contribution of National Savings' products to funding the public sector borrowing requirement (PSBR) in recent months. National Savings estimated yesterday that it contributed about £600m to funding the PSBR last month, lifting its total contribution to financing the government deficit to £2.1bn in the first four months of the current financial year.

The government's official PSBR target for 1992-93 is £28bn, but the eventual outcome is expected to be several

billion pounds higher.

Treasury officials said that this inflow was well ahead of the share of funding that had been allocated to National Savings. Explaining yesterday's cuts, Mr Anthony Nelson, Economic Secretary to the Treasury, said the government did "not wish to see National Savings interest rates kept any higher than is necessary to make their contribution to funding."

Treasury officials denied that this third cut in National Savings rates since the election was a direct result of pressure from the building societies to make National Savings rates less attractive. But they admitted that ministers, in making the decision, had taken into account the effect of the high level of inflows into National

Savings on building society finances. City economists said that yesterday's cuts, which came after a flurry of warnings from mortgage lenders that home loan rates might have to rise, showed that July's half point cut in First Option Bond rates had failed to bolster building society inflows.

Mr Kevin Gardiner, UK economist at SG Warburg Securities, said the rate reductions gave suggestions that the government was panicking in its desire to avoid higher mortgage rates. It was unclear that the latest move would be sufficient "to do the trick", he said.

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Investigations curb benefit frauds

By Lisa Wood, Labour Staff

MORE than 50,000 people stopped claiming unemployment benefit last year, with a saving of £34m to the taxpayer following investigations by fraud teams, the government announced yesterday.

Forty-nine employees - three times as many as the previous year - were prosecuted for conspiring with workers to illegally claim unemployment benefit so they could pay them low wages.

Investigators found blatantly false names such as Count Dra-

cula, Ronald McDonald and Mickey Mouse written on employers' pay lists while workers' real identities were used to claim state unemployment benefits.

Officials said fraud was also being perpetrated by individuals and companies involving people claiming benefits in the UK and working abroad, particularly in the construction industry.

Mrs Gillian Shepherd, the employment secretary, commenting on the official figures said: "While the vast majority of benefit claims are genuine, these figures show there con-

tinues to be a large number of people who are working and claiming benefits intended for the unemployed. We owe it to them - and the taxpayer - to crack down on this fraud."

In the year April 1991 to March 1992 the total number of claims for unemployment benefit were 4,947m.

According to the Employment Service 780 inspectors last year launched a total of 232,000 separate investigations, resulting in 2,265 prosecutions.

Inspectors are now thought to be targeting a hard core of claimants making fraudulent claims, a group identified by

inspectors as mainly male and aged 18 to 24.

The figures, however, were criticised as "greatly exaggerated" by the Unemployment Unit, a watchdog organisation for claimants. It claimed a number of people could have withdrawn claims left of their own accord.

According to officials much of the opportunistic fraud has been being weeded out by a variety of reasons - including claimants now having a fairly extensive interview when they sign on for unemployment benefit and regular interviews every six months.

Britain in brief



Economic activity falls by 0.9%

The government has reported that its longer leading index of activity in the economy fell by 0.9 percentage points last month, adding to the evidence that recovery has been delayed.

The Central Statistical Office said the index, which is supposed to identify turning points in the business cycle about 10 months in advance, declined to 103.3 in July from 104.2 in June, after having fluctuated downwards from a recent peak of 106 in October last year.

Further evidence of delayed recovery came yesterday from the Finance and Leasing Association, which represents UK organisations responsible for 80 per cent of consumer lending not carried out by clearing banks or building societies.

It said 66 per cent of its members expect consumer confidence to improve over the next three months. But gains in confidence predicted after the April election had failed to materialise.

Inquiry into psychiatric care

The government has announced an examination of high-security psychiatric care in the wake of evidence of bullying, physical and sexual assault at Ashworth Hospital, north west England.

Seven members of the hospital's staff have been suspended. They face charges



Bottomley: 'deeply disturbed' by report on psychiatric care

First BCCI trial transferred

The prosecution of the first man to be arrested in Britain in connection with the investigation into the collapse of Bank of Credit and Commerce International has been transferred from City of London magistrates court to the Old Bailey.

Mr Mohammed Abdul Baqi, 66, of Kings Langley, Hertfordshire, a former managing director of Attock Oil, an oil producing and trading group based in London, was arrested in February. He is on £300,000 bail facing eight charges.

He was originally charged that, between November 1987 and January 1990, he conspired with Mr Basheer Chowdhry, BCCI's former UK regional general manager, and other members of the bank's senior management to supply false information to Price Waterhouse, external auditor of BCCI (Overseas), showing that Attock Oil owed BCCI more than \$76m.

The seven subsequent charges allege that Mr Baqi and the others conspired to supply false information showing Attock Oil owed the bank a further \$47m.

Financial ads attacked

The Consumers' Association has attacked the standard of financial advertising in the UK and claimed that many adverts are misleading.

In the latest edition of its magazine, Which? the Association says "In general, the quality of information on financial products is abysmal. Breaches of the rules governing financial advertising are widespread."

The Consumer Association also criticises the financial service regulatory bodies, Imro and Lantro, for their secretive attitude in this field. "Imro and Lantro deal with complaints in private and only rarely publish details of decisions. This absurd secrecy makes it hard to have any confidence in Imro and Lantro as regulators of advertising" the Association says.

Liquidators fail to trace funds

Liquidators trying to trace funds which disappeared from Wallace Smith Trust, the financial company closed down last year by the Bank of England, have recovered only a small

CBI seeks debt initiative

Plans aimed at halving the time courts take to deal with bad debt cases are to be presented to the government next week by the Confederation of British Industry (CBI), the UK employers' organisation.

The proposals would mean the establishment of special debt recovery tribunals under the aegis of the High Court. County courts would be bypassed, except for the very smallest claims.

The CBI is highly critical of the time taken to process bad debt cases - undefended cases take about 60 days in the High Court and 114 days in the county court.

Walker hearing adjourned

A \$10m bankruptcy petition against former boxer and fallen tycoon George Walker has been adjourned at a private hearing at London Bankruptcy Court.

His solicitor Mr Michael Coleman said the court had appointed Mr Ray Hocking of accountants, Stay Hayward, to act as the court's nominee in considering the proposals.

BT likely to settle dispute on pricing

By Michio Nakamoto

BRITISH TELECOM and OfTel, the telecommunications industry regulator, have ruled out referring their dispute over a tighter price-control regime to the Monopolies and Mergers Commission (MMC).

An agreement ending the acrimonious row is expected later this week or early next week. The apparent imminent solution contrasts with the situation in the gas industry. British Gas last week decided to seek an MMC referral after failing to agree with Ofgas, its regulator, over the rates of return on its pipeline and storage business.

BT is still negotiating with OfTel over details of the new regime, but Mr Michael Hepler, group managing director, said yesterday that a reference to the MMC was "not the climate in which the discussions are being held".

Government rejects £500m development plan for Kent

By Andrew Taylor, Construction Correspondent

THE government has rejected plans for a £500m package of commercial and residential developments in an unemployment black spot in Kent.

Citibank, the large US bank, and Touche Ross, accountants, promoters of the development plan had estimated it would have generated about 9,000 jobs around the Isle of Sheppey.

The area has an unemployment rate of more than 12 per cent compared with a national average of 9.6 per cent.

The development plan included provision for a privately financed road tunnel linking Sheppey to the mainland, the expansion of Sheerness docks and construction of

more than 1m sq metres of business space.

Mr Michael Howard, Environment Secretary, rejecting four separate planning applications, said he recognised the economic problems of the island but these had to be balanced against other factors.

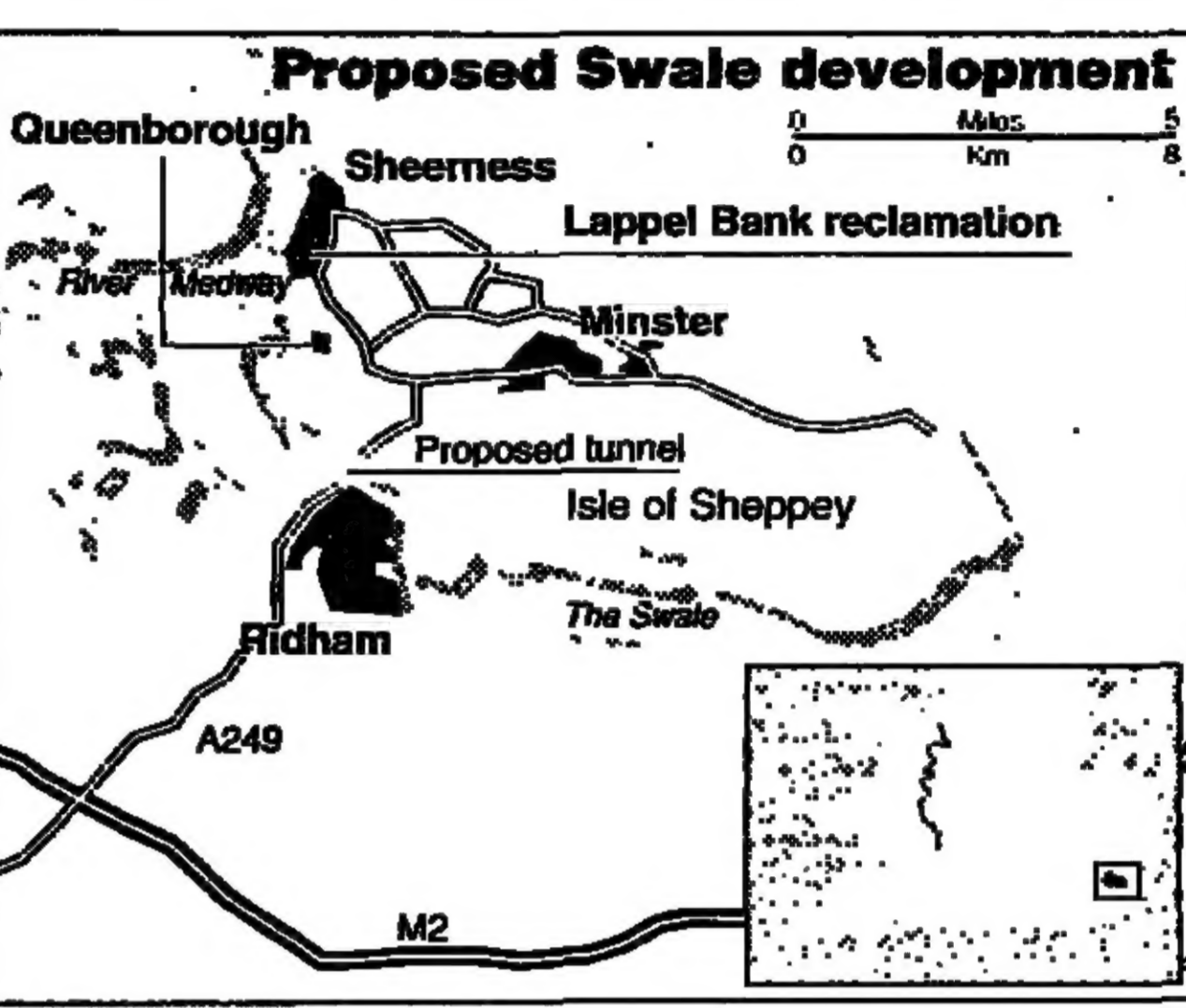
The plans would have caused harm to a broad range of nature conservation interests including the loss of an internationally important feeding area for migrating birds, according to the Environment Secretary.

Citibank is estimated to have spent more than £1m financing the planning applications after the developer Lionhope, part of the Tudor Grange group of companies went into administrative receivership in 1989.

Touche Ross appointed receiver to Lionhope said yesterday: "Without the second crossing of the Swale to be paid for by Lionhope the future development of Sheppey will suffer. In view of the high unemployment in the area it is particularly unfortunate. We must now carefully review our options."

The four proposed development sites were:

- Ridham on the south bank of the Swale where the existing port was to be expanded and 230 hectares of industrial, business and warehouse space developed.
- Lappel Bank where 100 hectares of land was to be reclaimed for the expansion of Sheerness Dock.
- Queenborough where 300 new homes were to be built



alongside a marina.

- Minster where 3000 new homes were planned along with schools, medical facilities, a golf course and parkland.

The government's decision to reject the plans coincided with last week's decision by the European Commission to drop legal objections to five UK building projects, including the M3 motorway extension at Twyford Down, Hampshire. The EC had opposed the schemes on the grounds that environmental impact studies had not been carried out.

o rewrite afta pact

Germany's new coalition government will be the first to rewrite the Maastricht treaty after the pact is signed.

Northern Ireland's Secretary of State, Mr John Hume, said yesterday that the new coalition government would be the first to rewrite the Maastricht treaty after the pact is signed.

Mr Hume said the new coalition government would be the first to rewrite the Maastricht treaty after the pact is signed.

Labour risks party split on Maastricht

By Ivo Dawney, Political Correspondent

A CLEAR signal that Labour may face formidable internal dissent over ratification of the Maastricht treaty came yesterday from Mr Bryan Gould, the Labour leader's spokesman, who confirmed he would oppose the accord.

As a senior member of Mr John Smith's frontbench team, his public criticism of the treaty will make him a rallying point for Labour's Euro-sceptics.

It also promises to create fresh difficulties for Mr Smith, who trounced Mr Gould by taking 91 per cent of the total vote in Labour's leadership contest.

Mr Smith backs Labour opposition to any cuts in the House of Commons debate on the treaty. But he is firmly against outright Labour opposition to the treaty.

As a pro-European, he is determined Labour must not

be seen as the instrument for blocking closer EC union for the short-term tactical gain of a government defeat.

Mr Gould argues that one consequence of the Danish referendum that opposed the Maastricht terms is that Labour is now free to adjust a pre-election stance that grudgingly endorsed the treaty.

In his leadership campaign, Mr Gould made clear that the treaty did not go far enough to enforce greater democratic accountability in European institutions such as the Commission. He also said that its criteria for economic convergence, required to complete economic and monetary union, failed to address the need for growth and full employment.

This week Mr Gould hinted that Labour's recent calls for "co-ordinated action" across Europe to reduce interest rates appeared to be "short-hand or code" endorsing the case for a general devaluation against the D-Mark.

Ghost of County Hall returns to haunt Tories

WHEN Mrs Thatcher abolished the Greater London Council in 1986, she thought she had neutered County Hall - the mock-Georgian pile opposite Parliament - once and for all. Six years later, the building is causing ministers as much embarrassment as in its heyday under the control of left-wing councillors.

The current rumpus is of the government's making. Put bluntly, it can't make up its mind. Five months ago it agreed to the London Residuary Body, a government quango set up to dispose of the GLC's assets, selling County Hall to the Japanese Shirayama group. The contract included an "opt-out" clause operable until November. Everyone, not least the LRB and Shirayama, took that to be an escape route for Labour if it won the election.

The Tories won. But the resulting ministerial reshuffle

saw Mr Michael Howard replace Mr Michael Heseltine as Environment Secretary, with several new faces at the cabinet table, including Mrs Gillian Shepherd, a strong supporter of the LSE.

So the School went into top lobbying gear with its vision for "the European social science university", and achieved a coup when last week Mr Howard let it submit a rival bid for the entire County Hall site offered by the university in March jointly with Advanta, a German property developer, has been increased to £65m.

There are, however, doubts about the LSE's ability to foot the bill, it is not just the direct financial side - in particular the highly optimistic assumption that the university's existing Houghton street site will net £100m by 1995. The bid also assumes that the LSE can and should double its postgraduate numbers within four years - which means finding another 2,500 fee-paying, high-calibre social science students, and staff to supervise them.

"If this were France or Germany," says one LSE governor, "they'd be giving us the building free for prestige. Wrong of course: they would not have abolished the elected governments of Paris and Berlin in the first place."

Andrew Adonis



Fit for a King: David Beeton, chief executive of Historic Royal Palaces - the agency which manages Britain's royal palaces - surveys the rooftops at Hampton Court, where he announced paying guests will be allowed to stay in a royal residence for the first time. Under a deal arranged with the Landmark Trust, which lets historic buildings to holidaymakers and invests its profits in restoration projects, two apartments at Henry VIII's palace will be available for short breaks next year.

Dutch reinsurer in bid to recover £200m

By Richard Lapper

A LEADING EUROPEAN reinsurer has begun legal action in an effort to recover losses of over £200m sustained in the London reinsurance market.

Amsterdam-based Nederlandse Reassurantie Groep (NRG), is taking the action after running up heavy losses at its Victory subsidiary, which it bought from Legal and General, the UK life and general insurer, in 1990.

The group says its advisers failed to inform it about the extent of Victory's exposure to loss-making spiral reinsurance business - in which Lloyd's syndicates and London market companies reinsure each other's exposure to high level catastrophe loss - when it made the acquisition.

Solicitors Allison & Humphreys last week served writs

against Bacon & Woodrow, the actuaries, accountants Ernst & Young and Swiss Bank Corporation. NRG alleges breach of contract and negligence against all three advisers.

"Had we known about the extent of the problems we wouldn't have bought the company," said Mr Willem Dikland, NRG's chairman.

Mr Dikland said that NRG had opted to take action after carefully reviewing the situation. He said that the shortfall in reserves on Victory's marine and aviation reinsurance accounts amounted to £480m. The claim, however, specifies no specific amount of damages.

Bacon & Woodrow said it would vigorously resist the action when NRG first announced the possible action in June. Swiss Bank Corporation claimed it had not been asked to provide advice on the extent of Victory's reserves.

MANAGEMENT: MARKETING AND ADVERTISING

How do you sell a product to indifferent consumers, via hostile retailers, when you have virtually no marketing experience? That is the problem facing the organisers of trade union recruitment campaigns, trying to sell trade union membership.

Effective campaigns are more important than ever for the unions; last year the membership of TUC-affiliated unions fell to 8.2m from a peak of more than 12m in 1980.

Membership figures are like sales figures: they represent revenue for unions - which are also small to medium-sized businesses. As membership falls, the businesses contract, and eventually disappear.

TUC unions recruited more than 500,000 new members last year, but the majority of those were new workers in companies that were already organised.

The long-term trends working against unionisation, such as the decline of manual work and manufacturing, mean that there are fewer such organised work-places taking on significant numbers of workers.

To slow or reverse those trends, unions are forced to reach out to offices and factories that have never been organised.

Realising that leafletting non-unionised employees outside their workplaces was not getting very far, some unions, in the early 1980s, began to offer various personal and financial services as inducements.

TUC officials say that has helped a little but people join unions "for the basics", such as better pay, working conditions and job security. Slightly cheaper car insurance is unlikely to lure them on its own.

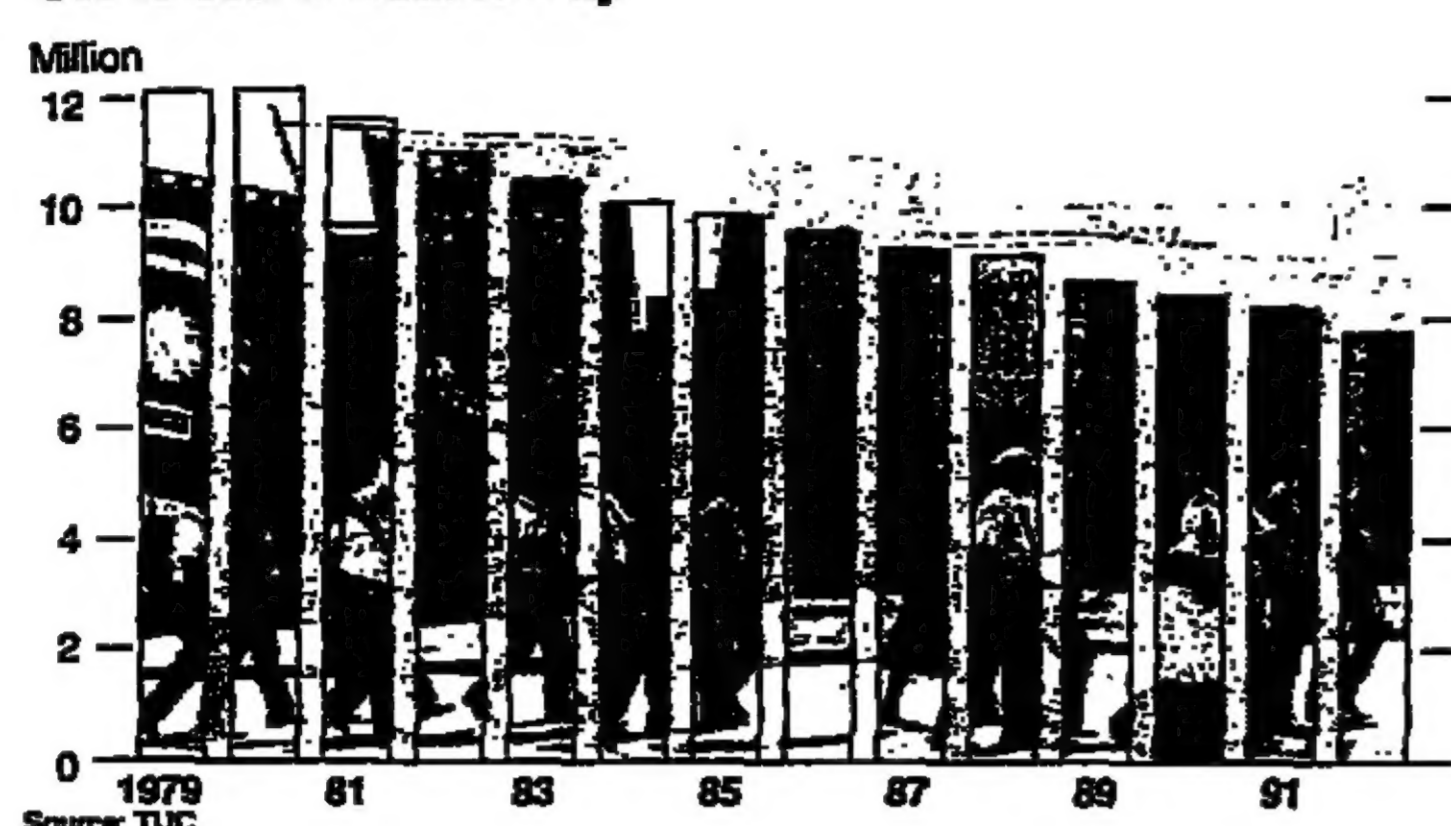
But as people have not been joining in sufficient numbers, even for the basics, unions have been forced to be unconventional.

The GPMU print union is break-

David Goodhart looks at union moves to find recruits

Stewards shop for new members

UK union membership



ing with tradition and trying to recruit young people in design and art colleges before they go into the printing industry. And one management union has a policy of offering a bottle of champagne to every member who recruits a new one.

The most interesting current recruitment effort is in the growing telecommunications sector where the National Communications Union - the 150,000-strong British Telecom union - must diversify or wither away.

The sharp reduction in BT staffing currently underway means that the union will lose about one-

quarter of its members in the next two years alone. It is thus tentatively starting recruitment efforts outside BT - primarily in BT's competitor Mercury and in the 159 cable TV franchise holders.

The NCU is typical of many British unions, especially those with roots in the public sector, in having virtually no experience of recruitment. It has enjoyed a protected existence with members handed to it on a plate.

Now, drawing on the experience of its American sister union and of the British banking union Bifa, it is aiming to recruit 8,000 members

outside BT by the end of 1994. It does not sound an ambitious target given how many members the NCU is losing, but the union will have trouble reaching it.

Alan Harley, the energetic former BT middle manager who is leading the recruitment drive, admits that Labour's election defeat will make reaching the target more difficult.

But he has an annual budget of £250,000 for at least three years, two people working under him (one concentrating on Mercury, one on cable TV) and seems to have got off to a reasonably good start.

The economics look favourable. Every non-BT member recruited pays the union 68p per week of which 50p is pure profit for the union and should mean that recruitment becomes self-financing within three years.

The profit margin is high because the non-BT members are not benefiting from the main collective bargaining services provided by the union.

But for the same reason, it is difficult to persuade people to join. "The biggest problem we have in Mercury is persuading people that even without recognition for collective bargaining, it is worth being in a union," said an NCU Mercury activist on a special weekend course at the union's country retreat in Alvecot near Oxford.



Banging the drum for the unions: members of the National Communications Union on a recruiting drive

In its slick promotional literature - slogan "big enough to count, small enough to care" - the union argues that it can provide support in disciplinary cases, redundancy, and much beside, without recognition, and claims to have already improved Mercury's health and safety policy.

The medium-term aim is 30 per cent membership in the 8,000-strong company. So far the NCU has just over 5 per cent, about 450 members, after meetings for slightly more than half the Mercury offices in the country.

Some of the activists, all of whom have been "outed" to the Mercury management, are fresh to trade unionism but most are old hands. They say that the main recruiting sergeants are job insecurity, the vagueness of disciplinary proce-

dures, and the pay and appraisal system.

How do you get the message across? The union targets a Mercury site, writing to every relevant member of staff to inform people of the union's existence, the case for membership, and the date of an informal meeting. This may be accompanied by posters and advertisements in the local media. In Milton Keynes, which has a 1,000-strong Mercury site, and where the union has made one of its biggest pushes, it had advertisements on local radio and in the local press, and an NCU hot air balloon hovering over the town at week-ends.

Results have been patchy. In Leeds, where the union had been hoping to do well, it recruited only 18 out of 200 people, while in Southampton it picked up one third of the

60 staff. One cultural problem, say former BT activists, is the much higher proportion of sales staff and lower proportion of technical staff compared with BT.

In cable TV, penetration has been lower, with one or two exceptions like Swindon Cable, and the union has scarcely 100 members. The main problem in cable is that the offices are very small and scattered.

Partly for that reason it is also targeting the cable employers with a leaflet boasting of the union's political and lobbying influence and stressing that it will not tell companies how to run their business. The theory is that with the union's expertise in employment law, the company is saved the cost of a personnel function. It is a theory that the cable TV companies seem slow to grasp.

The inclination of leading international companies to spend vast sums on national network television advertising campaigns is fast disappearing.

With more commercial channels - satellite and terrestrial - on the horizon, the explosion in home video ownership, and shrunken consumer spending, throwing money at an audience which is different from, and more cost-conscious than, five years ago makes little sense. Marketing managers are waking up to the need to refine carefully the targeting of their advertising budgets.

GMAP, a company whose majority shareholder (50 per cent) is the University of Leeds, aims to help. GMAP developed out of research in the university's school of geography, led by professor Alan Wilson

Putting consumer spending patterns on the map

Gary Mead reports on a new computer-driven system for targeting promotional budgets

and senior lecturer Martin Clarke, who together hold the other 40 per cent of the company.

GMAP collects and processes a vast array of technical data concerning retailing, financial services, the motor industry, healthcare and other aspects of consumer spending. It feeds the data into a mainframe computer and superimposes it on to maps of the UK.

Ford uses the system to locate how many dealers it has in an area, and can judge how well each is performing against a national sales average and competitors.

Accurate market information and

intelligent deployment of that information may never displace the creative whizz-bangs of glossy advertising images, but its increasing importance to marketing executives is demonstrated both by the recent growth of GMAP - its turnover last year was £2m - and the quality of its 17-strong client list: besides Ford of Europe, it has Whitbread, Shell, W.H. Smith, Leeds Permanent Building Society and three of Britain's clearing banks.

All these companies supply products and services to a highly heterogeneous market through outlets which, hopefully, are in the correct

location. The picture is further complicated by competitors who are trying to achieve the same goals. Where they have outlets has a critical bearing on success. GMAP's typical clients have between 200 and 3,000 outlets.

In the case of Ford, a top dealership might sell 10,000 units annually; others perhaps struggle to sell 100. The question facing Ford is: is that 100 a good or poor performance? What GMAP offers is a means of measuring performance against a company's own historical averages and that of the competition. GMAP's data is also used by

clients who wish to expand or contract their chain of outlets to maximise profitability.

"What we describe ourselves as doing," says Clarke, "is developing decision support tools - computer systems with information and modelling that provide intelligence that allows clients better to understand their markets and their performance in that market; better to understand their competition; and better plan what they do in the future."

That information is crucial but, in Clarke's experience, has rarely been given much attention in even

the largest companies, whose marketing strategies have been much more advertising than research-driven. "What we can do is to predict for Ford, if it proposes to open a new dealership anywhere in the country, how much business it will take, where the customers will come from, what the impact on existing Ford dealers will be, and what the impact on the competition will be."

Moreover, taking into consideration demographic trends, GMAP says it can assist companies to hold back from opening a new outlet today, but predict that it will

become worthwhile doing so in, say, five years.

According to Clarke, people think that advertising is effective because everybody else thinks it is. But he says research shows that people tend to make purchases from outlets which are close to them, given a general similarity in the competing product or service on offer.

The implications of this for the planning of marketing decisions are considerable. For one thing, it is a counter-argument against seeing mass advertising as achieving much more than brand awareness. As Clarke says: "People have got mega-bucks to spend on advertising; what they are far less keen to do is the hard task, looking at an individual dealer's performance, area by area. It's not glamorous, it can be quite threatening."

SUMMARY OF THE FINANCIAL YEAR 1991

GENERALI

THE INSURER WITHOUT FRONTIERS.

Group Business. The Generali Group has continued its expansion in the various countries in which it operates. In Italy it was the majority partner in the foundation of AssiBa, a life company which in its business will use the network of financial advisers and branches of the Banca Commerciale Italiana.

In Austria and Germany, on the basis of the agreement reached with the RAS Group, arrangements were made for the reorganisation of the two groups' presence. In exchange for shareholdings in local companies we acquired control of Inter-

unfall Versicherung AG of Vienna, Interunfall Allgemeine Versicherungs-AG of Hamburg and Münchener Lebensversicherung AG of Munich. In Belgium, Greece, Switzerland, Hungary, Argentina and Mexico further expansion was carried out through the acquisition of majority holdings or the foundation of new companies.

In Spain an agreement was signed with the Banco Central Hispanoamericano which led to the setting up of the Central Hispano-Generali Holding de Entidades de Seguros, embracing six insurance companies with 200 billion pesetas' worth of business.

Parent Company Business. In 1991 the Company recorded satisfactory production increases in Life both in Italy and abroad, with very positive technical results.

Non-Life business in Italy showed more modest growth rates as a result of the greater circumspection in risk assumption prompted by the current climate of market shrinkage, while foreign business grew considerably.

Technical results continued to worsen in Italy as a result of the persistently negative effects of the controlled Motor insurance tariffs and

the fierce competition of loss-making policy prices which still condition the international markets.

The 1991 balance sheet was hit particularly hard by the fiscal burden, including the special property revaluation tax, charged in its entirety in the year's profit and loss account.

The positive fund management results and the large profits made in securities dealings and property transactions compensated for technical losses and taxes, ensuring a higher level of profit than in 1990.

ASSETS (000 ECU)*	1991	1990
Building and farm property	5,274,488	3,698,462
Fixed-interest securities	18,079,145	13,257,269
Shares (including Associates)	4,573,448	3,882,409
Mortgage and policy loans	1,946,073	1,603,062
Deposits with Ceding Companies	408,407	351,207
Bank deposits	1,673,766	1,420,717
Accounts receivable and other assets	3,631,370	3,074,899
Total	35,586,697	27,318,025
LIABILITIES (000 ECU)*		
Provisions for insurance liabilities	26,065,533	21,207,236
Reinsurance deposits	442,497	227,732
Other liabilities	2,513,279	1,839,372
Minority shareholders' interest	1,108,758	650,916
Shareholders' surplus	5,089,028	3,088,662
Profit for the year	366,602	304,107
Total	35,586,697	27,318,025

* All figures have been converted at the rate of exchange of 1,037.16 to the ECU.

■ This statement consolidates 74 insurance companies (including 7 Europ Assistance companies) operating in some 40 markets, 21 holding companies, 21 property companies and 3 agricultural concerns.

■ Gross premiums totalled ECU 10,406m (+17.1%): ECU 4,068.4m in Life Insurance and ECU 6,346.6m in Non-Life.

■ The total of claims paid was ECU 5,091.4m.

■ Provisions for insurance liabilities increased by ECU 3,566.7m.

■ Production and administrative costs totalled ECU 2,831.9m (+12%).

■ Investment income totalled ECU 2,434.9m (+25.2%).

■ Investments totalled ECU 31,965.3m, against which provisions for insurance liabilities totalled ECU 26,065.5m.

■ Overall shareholders' equity amounted to ECU 6,128.4m, of which 93% belongs to the Parent Company.

■ The year's profit of ECU 366.6m (20.8% more than in 1990) was the result of:

(000 ECU)*	1991	1990
Parent Company's profit	347,402	228,305
Profit of the other Companies	244,803	803,355
Consolidation adjustments	- 55,185	- 676,490
Consolidated profit	437,020	355,170
Minority shareholdings	- 70,418	- 51,063
Profit for the year	366,602	304,107

(000 ECU)*	1991	1990
Premiums written	4,695,253	4,065,125
Premiums ceded	- 572,556	- 504,378
Net premiums	4,122,697	3,560,747
Net investment income	1,040,719	919,713
Technical interest allocated to Life funds	- 626,208	- 472,723
Insurance underwriting result	- 309,867	- 200,805
Sundry income and expenditure	- 7,296	22,628
Operating profit	97,348	268,613
Profit on sale of properties and securities	353,342	121,302
Unrealized capital losses on securities	- 46,114	- 114,236
Total other items	307,228	7,066
Indirect taxes	- 114,635	- 29,327
Taxes on profits	- 42,539	- 18,247
Profit for the year	247,402	228,305

* All figures have been converted at the rate of exchange of 1,037.16 to the ECU.

■ Provisions for insurance liabilities increased by ECU 1,778.7m.

■ Production and administrative costs totalled ECU 1,068.4m (+10%).

■ Investment income totalled ECU 1,040.7m (+21.5% expressed in uniform terms).

■ Investments totalled ECU 14,378.1m, against which provisions for insurance liabilities totalled 10,074.6m. In accordance with Law No. 413 of December 30th 1991 property assets were revalued by about ECU 620m which, after the subtraction of tax amounting to ECU 82.8m, was allocated to a special reserve.

■ Overall shareholders' equity amounted to ECU 4,055.6m, an increase of ECU 1,761.1m. The net capital surplus over the minimum requirement for the Life solvency margin is ECU 1,601.2m and for Non-Life the surplus is ECU 1,600.4m.

■ Chairman-Managing Director: Eugenio Coppola di Canzano; Vice-Chairman: Antoine Bernheim, Francesco Ginepro, Carlo della Torre e Tasso; Managing Directors: Fabio Pegits and Gianfranco Gutty.

Central Head Office in Trieste (Italy)

The Generali Group operates in Argentina, Australia, Austria, The Bahamas, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, France, Germany, Gibraltar, Great Britain, Greece, Guatemala, Guernsey, Holland, Hong Kong, Hungary, Ireland, Israel, Japan, Lebanon, Luxembourg, Malta, Mexico, Nigeria, Panama, Peru, Portugal, San Marino, Singapore, South Africa, Spain, Switzerland, Turkey, The United Arab Emirates, The United States of America, Venezuela.



THE INSURER WITHOUT FRONTIERS.



Paul Meyer of Germany grimaces in the long jump event of the men's decathlon. Right: Sally Gunnell of Britain celebrates after winning the gold in the women's 400m hurdles yesterday

OLYMPIC NEWS IN BRIEF

Gunnell snatches 400m hurdles gold for Britain



Sally Gunnell of Britain made a storming finish to beat favourite Sandra Farmer-Patrick in the women's 400 metres hurdles final. The flamboyant American led in the first half of the race but Gunnell, silver medalist at the world championships in Tokyo last year, joined her on the bend and the two came into the final straight neck-and-neck.

Gunnell nosed in front and then moved away on the final hurdle as Farmer-Patrick checked her stride, powering home in 53.23 seconds. The American took the silver in 53.68sec with her compatriot Janeene Vickers just holding off a late challenge by world champion Tatyana Ledovskaya of the Unified Team to win the bronze.

Gunnell, 26, from Chigwell in Essex, became Britain's first female runner to mount the winner's rostrum at the Games since Ann Packer won the 800m in Tokyo in 1964. "It hasn't sunk in yet," she gasped as she completed a lap of honour with the Union Jack draped around her shoulders. "There have been weeks, months, years of hard work and wondering if it would pay off."

Her success means Britain has now matched its Seoul total of five golds.

American fails drug test

Jud Logan, a surprise fourth-place finisher in the hammer, tested positive for a steroid and became the first American for 20 years to fail a drug test at the Games, the IOC said.

Prince Alexandre de Merode, chairman of the IOC medical commission, said traces of clenbuterol were found in Logan's sample. De Merode said the second part of the sample had been tested but those results weren't immediately known. No action will be taken by the IOC until both test results are known.

Earlier women's Olympic sprint champion Gail Devers denied she had used performance-enhancing drugs and called for disciplinary action against fellow-American Gwen Torrence for allegations that three competitors in the 100m final were doped.

Johnson eliminated

US track star Michael Johnson, hot favourite for the 200 metres title, was sensationally eliminated the first semi-final which was won by Frankie Fredericks of Namibia.

Johnson, regarded as a virtual certainty to win gold before the Games began, ran a sluggish semi-final and finished only sixth.

Britain's John Regis came second in the other semi-final to clinch a place in today's final. The race was won by American Mike Marsh. UK sprinter Linford Christie, in fifth place, failed to qualify.

Discus title for Lithuania

Romas Ubaras of Lithuania won the men's discus gold with a throw of 63m 12 (213ft 6ins). Jurgen Schult of Germany won the silver from Roberto Moya of Cuba.

Raising the stakes for Games of 2000

John Major is heading for Spain to hobnob with Olympic royalty. Keith Wheatley reports

JOHN MAJOR is said to be highly excited about coming to Barcelona tomorrow. Britain's sports-fun prime minister has never attended an Olympic Games before.

Two months ago Major invited Juan Antonio Samaranch, president of the International Olympic Committee (IOC), to London. Immediate warmth between them led to Major agreeing to press Samaranch's views on the status of athletes from former Yugoslav states at the G7 summit.

Now the hospitality is being returned. As he is whisked around this 25th pageant, the prime minister will see that an IOC chieftain has power and influence scarcely imagined by the elected leader of a mid-dielectric north European democracy.

The experience will prove intoxicating. It always does. And the prime minister will begin to speak softly to the president about Manchester's worthwhile and energetic claims to

host the Games in 2000.

"I know that Samaranch and other senior IOC members are highly impressed by this government's commitment to our bid," says Bob Scott, head of the Manchester campaign.

In the case of an earlier, unsuccessful bid for the 1996 Games (which went to Atlanta), the IOC was sceptical of the viability of prime minister Margaret Thatcher's "hands-off" approach to the subject of government involvement.

Experience has taught the IOC that outside the US, national rather than regional private-sector resources have to be used to underpin the Olympics.

Scott and his team have been in Spain for nearly a month now, constantly studying and lobbying. "The biggest thing I see is that having the Games in Barcelona has shifted the geographic and economic axis of this country," says Scott. "Madrid isn't the beginning and end of every story

— and never will be again."

Could the same thing happen if the Games were staged in north-west England? "Absolutely," replied Scott. "Nothing that is likely to happen in our lifetimes could do so much to change the damaging imbalance which tilts so many resources into London and the south-east."

Whitehall has already pledged about £200m to help with facilities and infrastructure related to Manchester's bid, a radically new combination of money and muscle duly noted by the hard-to-please IOC.

However, seven other cities stand between Manchester and its dream. Before the IOC vote in Monte Carlo next year, the claims to preferment of candidates as diverse as Milan and Tashkent have to be overcome. Brasilia and Istanbul vanquished.

Sydney and Beijing are regarded by observers as the front-runners at present. Berlin was up there with them but has faded after an enjoyable

scandal concerning the Berlin campaigners' use of private detectives to investigate the lives of the 92 IOC members who will choose the venue for 2000.

Every candidate city admits to keeping dossiers on IOC members: basic and harmless information useful when hosting them on visits. However, the Germans focused on the bank accounts and sexual preferences of the IOC elite.

Anger turned to outrage when a disgruntled ex-employee leaked the investigators' conclusions to the IOC. Only seven of the members, they concluded, could not be "bought".

Eyebrows were raised at Buckingham Palace when it became known that the Princess Royal, a former Olympic horsewoman and prominent do-gooder in the highest reaches of world sport, was not one of the seven.

Sydney attracts everyone. The potential for staging the Olympics in such a stunning outdoor city is clear

to all. But hard-heads always cavil at the cost and logistical problems entailed in staging the world's biggest festival in such a remote spot and such an obscure time-zone.

In turn, Beijing has to overcome its status as an international pariah. Interestingly, its lobbyists and senior figures have been much in evidence in Barcelona, pushing the line that China needs the Olympics to help counter its rock-bottom image.

Winning the Games would propel us into the modern world, say Beijing's campaigners with breath-taking frankness.

"At present, I'm happy to hear people say that Manchester is third and closing," says Scott. "With the two favourites at such extremes there is considerable merit in being a well-prepared, unglamorous middle candidate."

All of which will strike a pleasing chord with the British prime minister.

How decathletes sell shoes

Peter Berlin watches the all-rounders at the start of their ordeal

WHEN the decathletes came out to start their two-day ordeal at 9am yesterday, the temperature was already in the 80s and the humidity was nearly 80 per cent. At track level the air was so heavy with moisture it seemed about to liquefy.

Dave Johnson, the favourite from the US, might have been better trying the front crawl in the first heat of the decathlon's 100 metres. He finished eighth in 11.16 seconds, nearly 0.5sec behind the winner, Christian Flament of France. But then, as one veteran athletics correspondent remarked, Johnson's sprinting is "chronic". The time left Johnson 21st equal.

The sprinting weakness also hampers Johnson in the second event, the long jump. But his poor first-day scoring was one of the inspirations behind the decision by Reebok, the US sports equipment manufacturer, to build its pre-Olympic advertising round Johnson and his US rival Dan O'Brien.

O'Brien starts fast. He would build a big lead on the first day and then, with excitement mounting, Johnson would claw his way back on Day 2, creating, with a little luck, a dramatic show-down in the 1,500m. But O'Brien failed to make the Olympics, so it is up to others to act as hare to

Johnson's hound.

Yesterday, Robert Zmellek of Czechoslovakia burst from the blocks and into an early lead. He ran the second fastest 100m in 10.78sec and then jumped the furthest: 7.87m. This put him on 1,937 points. The barrel-chested Johnson bulled down the ramp for a jump of 7.33m — a running total of 1,718 points and 13th position.

Running is the most natural of athletic disciplines. Everyone knows the technique. The best decathletes generally run between 10 and 20 per cent slower than the Olympic finalists in equivalent events. But as the events become more technical the gap widens. Decathletes jump 20 to 30 per cent less high or long, and their throws are anything up to 40 per cent shorter.

While the specialist athletes can concentrate on perfecting their technique and developing only the right muscles for their discipline, the decathletes, with 10 disciplines, have to be jacks-of-all-trades and develop all muscles. That is why they are such spectacular specimens.

Once a sprinter has run 100m he can head for the changing room. The decathlon crowd trudges over to the long jump pits and from there to the shot put. At each stop the athletes

spread their gaudy array of shoes and clothes under a canvas lean-to.

They are trapped for the morning. They can only escape the arena for brief trips to attend to their most basic needs, and they cannot go alone. An official scurries alongside them like a Panama-hatted sheep dog.

Between jumps or throws they keep themselves amused in various ways. They exercise. At the long jump some do handstands, others bunny-jumps, some hop or skip, some roll on the floor. At the shot put clumsy pirouettes and punching the air are more popular. And before and after each event — or during it — there are short, tension-relieving sprints.

They ceaselessly change clothes and shoes, clambering in and out of tracksuits, shorts, tights, T-shirts, cycle shorts, spikes and trainers.

In the more technical events, most decathletes merit scant comparison with specialists. Aric Long, for example, galloped down the long-jump runway in the prescribed manner — then, with an almost audible grinding of gears, shortened but did not quicken his stride. Somehow he could not produce

the explosion of lift that will carry the long-jump gold medalist close to 9m. His best jump of 7.21m was decent by any standard except that of Olympic long jumpers.

In the shot everything was going more or less as expected until the Spaniard, Antonio Penalvar, suddenly hurled the shot 16.50m, a throw which would have left him more than 5.20m behind Michael Stulce in last Friday's shot put final but which made all the other decathletes seem tentative and imprecise.

Zmellek threw 14.53m and clung on to first place. Johnson threw 15.28m and climbed to 9th. For him the early events are about damage limitation. Because of the way points are distributed, he can finish 21st in the 100m yet only drop 150 points on the fastest man. The trick is not to have any really bad events and to score heavily in a couple of specialties.

This evening, Johnson is capable of picking up 300 points on his main rivals in the javelin, the ninth event. The eighth event, the pole vault, can also bring huge point swings.

The final event is the 1,500m. With a little luck, the decathletes may contrive a climax that will sell a few pairs of shoes.

Hacks struggle in Games cauldron

By Nicholas Woodsworth

AS I SET writing in my Press Village room at 10.30am, the thin wall behind my head is gently vibrating. It is not the heavy transport lorries on the motorway flyover 50 yards away causing reverberations in the hot, sticky air.

Nor is it the 24-hour sports-spectating TV set downstairs. It is *Daily Star* sports reporter Bill Elliot next door, dead to the world and edging ever closer to a gold medal for Olympic snoring.

After 12 hectic days the Games are nearing their end. So, too, is the staying power of the 5,000 journalists crammed into the Village.

Like marathon runners towards the end of their long-distance course, most journalists here have by now hit the "wall" — the point where energy reserves start to

run out. Apart from top sports stories such as Linford Christie's 100 metres gold medal win, unscheduled events like Britain's drugs scandal have kept the 15,000 media personnel at these Olympics up and running at all hours.

Even the brightest wits are fading. No one, though, is going to howl out just yet, because global communications have changed the nature of the Olympics.

If the Games have become a multi-million dollar business, if they have transformed competitors from amateurs into professionals, and if TV networks, advertisers and sponsors have raised the commercial stakes sky-high, it is largely because electronic and print journalism is creating and satisfying an obsessive sports market in every corner of the world.

One example illustrates the point. In 1990 the US TV rights

to broadcast the Rome Olympics cost just \$394,000. By 1976 US rights for the Montreal Games had risen to \$25m. This year the US network NBC has paid \$401m. NBC technicians began arriving here last year to install \$30m worth of equipment. Currently there are no fewer than 1,300 NBC staff working in Barcelona.

Apart from the expenditure of individual companies, the Barcelona Games' organisers have invested huge sums to cater to the hordes covering the Olympics. But judging from the comments of those journalists who have attended many Games, Barcelona is not quite a sports heaven.

"Why can't they choose cities where we don't have to work in pools of sweat?" asked a puffing reporter as we climbed the hill to the Olympic stadium on Montjuic in Barcelona's near-40°C heat.

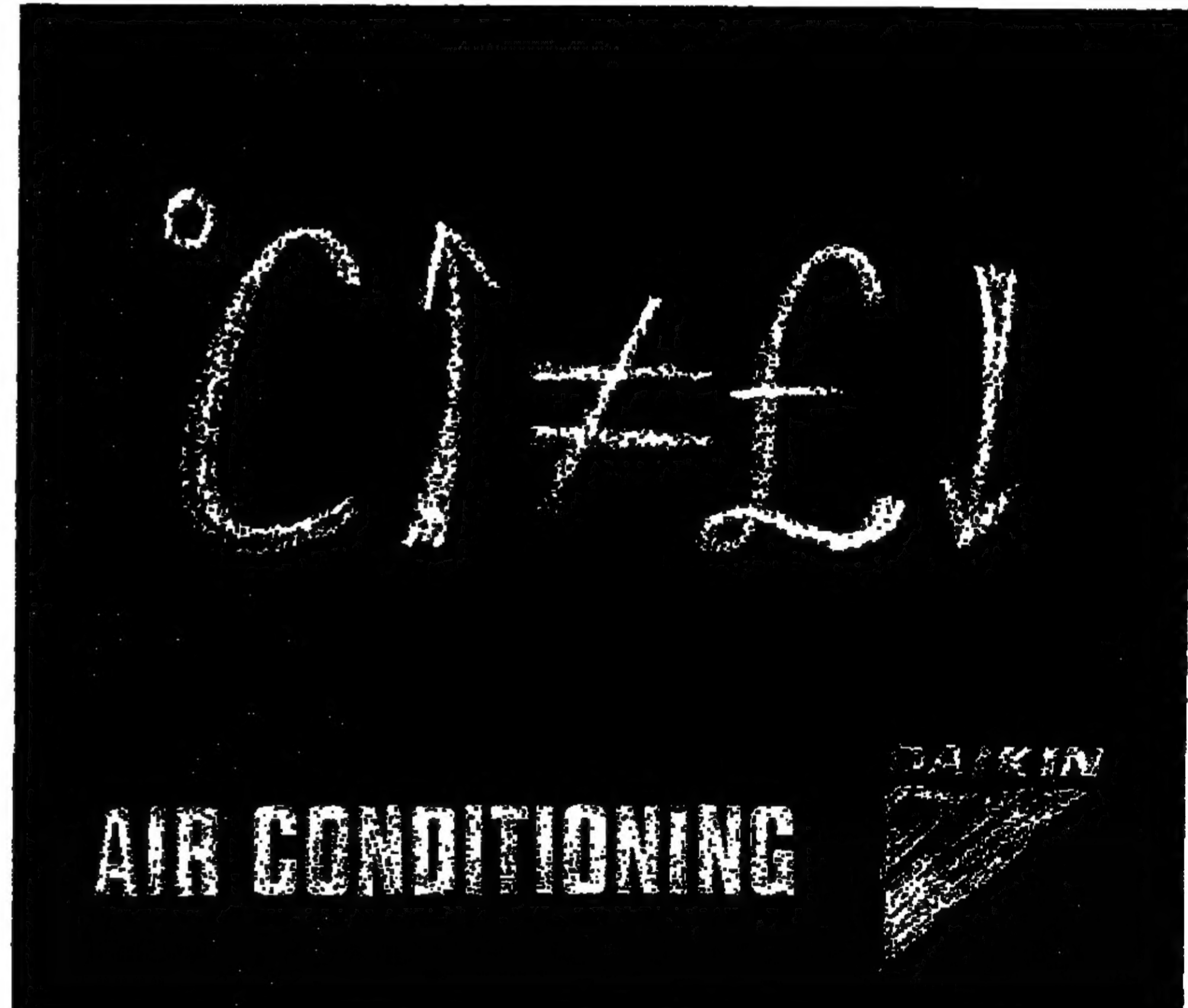
Perhaps the most frustrating aspect of media organisation has been bus transport to and from the Village. Many of the bus drivers have been drafted in from other cities, and know as much about Barcelona's streets as a London cab driver.

Personally, I have found the Catalans excellent hosts. Why, then, the odd moan and groan? Perhaps it is that journalists, like anyone else working hard, enjoy a whinge now and then.

Should you sit at a breakfast table in the Village shared, say, by a Spanish photographer, an American TV technician and a Taiwanese journalist, the odds are that they are talking sport.

They do so not because they have to, but because they are more obsessed by the Games than most of us. They even dream Olympics. If Bill Elliot ever stops snoring, I may dream a little Olympics myself.

DAIKIN



Daikin's Law of Thermo — Economics

Roughly translated, this means "When the temperature rises, your profits don't have to suffer..."

Temperatures this year have already scaled the eighty degree mark. If you don't have air conditioning, you will have found that when temperatures soar, performance plummets! Customers become irritable. Staff feel lethargic.

$$D = \sqrt{E}$$

Daikin is at the root of a more profitable environment

If you fit Daikin air conditioning your profit will never suffer in the heat. What's more, Daikin can also help you save costs in the winter. You can combine cooling and heating in one remarkable, energy-saving system!

And whatever size your premises, Daikin have a system that will ensure business as usual. Small, elegant Splits, flexible, efficient VRV Systems and powerful Chillers. Daikin's advanced technology means unsurpassed reliability for every system.

So there's no need to let the heat affect your profits. Simply complete and return the coupon.

Reply within 21 days and you'll receive a FREE Site Survey and Estimate

Let Daikin show you the perfect solution for your business environment; and how much it will cost.

Send the coupon to Daikin Europe Information Service, Southbank House, Black Prince Road, London SE1 7SL.

YES please send me more information about Daikin air conditioning.

Name _____

Company _____

Position _____

Address _____

Postcode _____

Tel: _____

Industry type _____

YES I would like to qualify for a FREE Site Survey and Estimate.

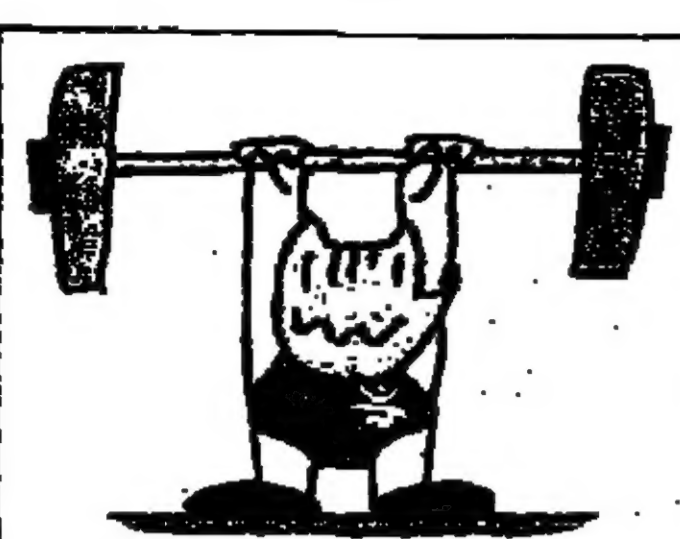
Better working with



TECHNOLOGY

Computers are running the show at the Barcelona Olympic Games, explains Claire Gooding

The IT team strikes gold



CUSTOMER SNAPSHOT

The Committee for Organising the Olympics (COOB) at Barcelona was formed at the time of the bid in 1986, and is composed of local dignitaries and officials, headed by the mayor of Barcelona.

Nature of business: Mounting a one-off international event, the 1992 Olympic Games, 25 July through 9 August. It takes six years to organise the Games. Income derives from sponsorship, largely from television. It is shared jointly between the International Olympic Committee and the organising committee.

COOB commissions and afterwards owns the assets which are seen as the lasting benefits of hosting the games, including improvements to the city facilities and infrastructure, which in Barcelona's case includes roads and a new airport.

Turnover: An estimated \$4.7bn.

The income is fixed, from sponsorship and pre-arranged media deals. Ticket sales add little to the bottom line. This makes it essential to estimate costs correctly.

Employees: COOB's IT division employs 5,000 people. For development - four systems professionals from the Olympic Committee, plus 250 users, supported by 50 staff from Sema Group and T&G for development. For facilities management - 16 Sema Group staff, two-thirds from the UK, one-third from the Group's Spanish operations.

TECHNOLOGY FILE

Software: The major systems are (in four end-user languages): SIGO for accreditation and organisation, written by Sema on PS/2 computers (300 terminals); AMIC information system, written by Eitel on PS/2 computers (1,600 terminals); SIR results system written by EDS, on stand-alone Xerox terminal/printers (750 terminals); SICO, the commentators' system by IBM on 820 PS/2 terminals.

Hardware: Two IBM ES 9000/480 mainframes running the MVS/ESA operating systems. These support 4,400 terminals connected via local area networks, mostly PS/2s under OS/2.

Suppliers: Sema Group and T&G, for the development of the main organisational systems, including SIGO. The facilities management contract was agreed separately.

Value of Contract: £1.7m (approx) for facilities management, £10m for SIGO development.

There is one British team in Barcelona with no hope of a medal, though it may well deserve one. It shares one of the most nail-biting, but tedious jobs at the Olympics, sitting in a windowless cavern watching ranks of computer screens on which - it hopes - nothing happens.

If a screen flickers, a problem has to be fixed immediately. Without the computer systems the 800 commentators and thousands of press and media people serving millions of viewers worldwide will have no results, no information.

The entire Olympic "family" relies on an army of computer experts, supported from a secret bunker. The Committee for Organising the Olympics at Barcelona (COOB) has undertaken a vast one-off software project to support the Games, on a scale that would frighten most commercial organisations.

Its systems run everything to do with transport, accommodation, administration and security, as well as delivering the results and all media information. The project is extraordinary for several reasons - its scale, its scope, and the fact that there is no continuity. This is the first Olympics for everyone on the project. And there is no chance to improve the system - it must work the first time.

The media plays an important role in the Games. Although various sponsors make a significant contribution, such as Coca Cola, and in the case of the computer equipment, IBM, COOB's balance sheet relies heavily on the income from media sources. The largest single presence is the US National Broadcasting Corporation, for whose peak-viewing time many of the events are scheduled.

A visit to the weightlifting arena demonstrates the amount of IT required to cover each event. The small stage on which the muscle men sweat and groan is the central focus for the television cameras. Beyond, ranks of computer screens slope back from the stage. These prime sites are for journalists.

In front of them are the judges, also at computers linked to the results system and display boards. Above them sit the sound controllers (even the national anthems are computerised), and behind them the spectators. Behind the scenes there is a press room, just for the weightlifting event, served by another clutch of computers.

The size and complexity of the information network is staggering. Local area networks (Lans) are installed in converted swimming pools, conference centres and other sundry buildings pressed into service for the Games. The network supports 4,400 PS/2 computers in 45 venues, each Lan linked to the IBM

SOFTWARE AT WORK

mainframe in the secret bunker.

On the software side, COOB commissioned several different companies to write various systems, all of which work together. The systems are in English, French, Spanish and the local variant, Catalan. IBM's sponsorship dictated that all the systems were developed in IBM-compatible software tools.

Security underpins every project to do with the Olympics. The data support site is bomb-proof and

BUZZWORDS

FACILITIES MANAGEMENT refers to the handing over of an installation and its maintenance, including software and hardware, to an external supplier.

LOCAL AREA NETWORKS mean the linking together of terminals or PCs, usually in one location, so that they can share common resources.

self-sufficient in power and light. It even has its own telephone exchange. In case of disaster, there is a second "shadow" installation with another mainframe. An IBM banner above the control centre reads "El 92 en bones mans" - Catalan for "Safe in our hands".

Josef Bertran is one of four information technology managers at the Centre for Information and Operation Technology (CIOT), located at another secret site. "This is all going to happen just once. We sim-

ply have to be ready, and we can't make mistakes," he explains. "In the past year we have been going to hundreds of competitions trying out the system and running it live."

There have been changes, he says, all along the line, constant revisions and adjustments discussed with the various software partners.

In setting the specifications for the systems, COOB recognised the difficulties of the "clean sheet" presented by the 1992 Games. The International Olympic Committee only audits the plans, making sure that all is up to standard in terms of facilities and security. There was no history of software management on which to draw.

COOB recognised that it would not find sufficient skills, equipment or staff locally, so it turned to major software suppliers for the bid. The job of facilities management (FM) - running the computer and all its software - was won by a consortium headed by pan-European software house Sema. Sema combined with Spanish software developer T&G (which it has now absorbed) to beat a French consortium.

The FM team is two-thirds British, one-third Spanish. Sema also

CONSULTANT'S CRITIQUE

The contract to develop the systems for the Olympics is ideal for any ambitious software house. The client is keen to succeed on a worldwide stage.

Once the event is over, however, the system never has to work again - no lengthy support or maintenance problems to contend with. This is significant since 70 per cent of project costs are incurred in maintenance and updates.

The software house benefits in that it is free to sell its experience and skills, but not necessarily the original software, to another Olympic committee - for the Atlanta Games in 1996 - without the responsibilities of owning the system.

Internationalisation is always an issue. In this case, four languages were supported and they all share similar letters and accents (unlike English/Japanese).

However, it is still a complex operation to ensure that all the keyboards are handled correctly. French typists, for example, use an AZERTY layout (describing the keys along the first row of letters), rather than the QWERTY layout favoured by the English-speaking counterparts.

These risks and complexities gave rise to the enormous fees that were charged for the software development. The



Getting results: the Unified team's Leonid Taranenko lifts 187.5 kg

take place in various languages. Catalans predominate, but there are Yugoslavians, Serbs, Croats, Mexicans, American, French, English and Japanese staff at CIOT.

"The interest in the Games for our people is so high that it's not like an average company," says Jordi Lopez, director of telecommunications. "We have all been working 14 to 18 hours a day."

Although the COOB contract is by no means Sema's largest, according to managing director Pierre Bonelli, it has engaged fierce loyalty from its participants. Senior project manager Paul Reynolds is angry that such effort should not be preserved as a facility for the next Games.

"There are so many organisations with vested interests that it will all go to waste. It's not owned by anybody, so there is no incentive to keep it going. It could be a valuable asset, the ideal sports information database for any events worldwide."

The system will not go entirely to waste, however, since it is being used at the Mediterranean Games next summer. Although the Atlanta organising committee is still considering bids, it has expressed interest in parts of the current set-up.

"They don't want to reinvent the wheel," says Rupert Deighton, IBM's sports service manager for Europe. But if any other hardware vendor gets the 1996 contract it is highly unlikely that this particular software will ever run again.

£10m for the SIGO system should have bought around 100 man-years of development and testing. This might appear to be overkill for a one-off project.

It all seems to have worked. Whether the cost and the event's consequent effect on the local economy is justified have yet to be seen.

Kevin Grumball
The author is a consultant at Software Design and Construction, of Milton Keynes

PEOPLE

Coming out of cold storage to run Boustead

Singaporean businessman Jack Chia's acquisition of Boustead, the British manufacturing, technical services and distribution group, has caused a board reshuffle which brings non-executive director Bob Barton into the chief executive's seat, in place of Michael Noakes who has resigned.

Barton, 52, had run Cold Storage, a Singapore-based food manufacturer, wholesaler and distributor, before returning in 1980 to the UK, after 29 years in South East Asia, to retire.

"I got bored with retirement

in about five minutes," he says, so he started to make a come-back as a "corporate odd jobs man".

He had got to know Chia and his trading group Jack Chia-MPH some 15 years ago when Cold Storage entered into a joint merchandising agreement with the big Singapore MPH bookstore chain. Shortly after Barton returned to the UK, Chia invited him on to the Boustead board, first as an alternate, and then as a full non-executive director from last September.

Noakes, meanwhile, was a

former BTR troubleshooter who joined Boustead in 1987, well before Jack Chia-MPH had begun stake-building. The following year he masterminded two important acquisitions, but profits slumped in 1991 as the recession hit home.

Boustead chairman Sir Thomas Macpherson noted yesterday: "Noakes felt he had been connected with the pre-Jack Chia Boustead. And I cannot say he had established a total rapport with Chia."

"He was under no illusion that when Chia made a bid, that was likely to be the bell

for him."

Barton acknowledges that Boustead's businesses are currently "bitty" but says it is premature to suggest along what lines he will seek to develop the group. "I will be surprised if you do not see the company making a quite significant acquisition in the next nine months," adds Sir Thomas.

Clement Chia, who had been an alternate director to his father Jack, now joins the board as a full non-executive director. Non-executive directors John Fleming and Dick Altham have resigned.

Baxter's family tradition

Audrey Baxter has become managing director of Baxters of Speyside, the Scottish company famous for its soups, pastes and jams, which her family owns. At 31 she is following two family traditions.

First, keeping the management in the family. She takes over the post of managing director from 74-year-old Gordon Baxter, who remains chairman and was responsible for the company's expansion since the second world war. Her brother Andrew is vice-chairman and her brother Michael is general manager of food services. (There have been non-Baxter mds too: Alasdair MacCallum, chairman of the CBI in Scotland, stayed for a year in 1986.)

Second, maintaining what she calls "a strong leaning in the company towards women". Her great grandmother Margaret made the first jams for the company, founded in Fochabers, Morayshire, in 1848. Audrey's grandmother Ethel invented Baxter's royal game soup and her mother Ena is now creates the recipes.

Audrey Baxter, who is married, worked in the business on vacations while studying eco-



nomics, accountancy and finance at university. She then worked for Kleinwort Benson in merchant banking and equities before joining the company in 1987. She became commercial director in 1990.

Although Baxter's turnover rose 26 per cent to £35m last year, she is proud of the fact that the company takes "a conservative approach to growth," is zero geared and has turned down 168 offers for it to be taken over. "The conservative approach is working well and will continue in the short term," she says. "But I suspect that we will become more adventurous if an opportunity that fits our ethics and strategy comes along."

Non-executives

■ Louise Botting, chairman of Douglas Doakin Young, a member of the Top Salaries Review Body and a former presenter of BBC Moneybox, at LWT (HOLDINGS).

■ Bernard Brook-Partridge has retired from Edmund Nuttall and Kyle Stewart, both operating companies of HBG.

■ Peter Rae, former chief executive, at SW WOOD GROUP.

■ Charles Longbottom at NEWMAN MARTIN AND BUCHAN.

■ Sonia Elkin, recently retired director for regions and smaller firms, at GREGGS.

■ Alfred Morris, director of Bristol Polytechnic and chairman of the Bristol Old Vic, at BRISTOL & WEST BUILDING SOCIETY.

■ Martin Findlay, previously vice-chairman, at WHITEBREAD: Bernard King has retired.

FT LAW REPORTS

Digest of Trinity term

Regina v director of the Serious Fraud Office, ex parte Smith (FT, June 17)

THE HOUSE OF Lords allowed an appeal by the Serious Fraud Office where the chairman of a company had been charged with the criminal offence of having been a party to carrying on the company's business with intent to defraud creditors.

However, under the Code of Practice for the detention and questioning of persons by the police, a person had first to be cautioned and then told he did not have to say anything unless he wished to do so - in which case it could be used in evidence against him.

After he had been given bail, the defendant was served with formal notice by the SFO under section 2(2) of the Criminal Justice Act 1987 which gave the SFO power to "require" a person whose affairs were to be investigated to answer questions or furnish information. The notice stated: "Failure without reasonable excuse to comply with these requirements is a criminal offence."

The defendant invoked the privilege against self-incrimination. As a matter of interpretation, the House of Lords held, the SFO's powers were such that it was entitled to question a person even if he was charged with a criminal offence.

In the present case the general provisions of the Code of Practice for questioning suspects yielded to the particular provision of the 1987 Act.

Russell v Northern Bank Development Corporation Ltd and others (FT, June 18)

WHEN THE control of two companies was vested in a new holding company, TBL, an agreement between the executives, including the plaintiff, Mr Russell, and the holding company, provided that it should have precedence over the articles of association. Clause 3 of the agreement provided that no further share capital was to be issued without the written consent of each of the parties.

The TBL board then gave notice of an extraordinary general meeting to consider a resolution that the share capital be increased to £4m. Before the meeting, Mr Russell issued a

writ claiming an injunction to restrain the shareholders from voting on the resolutions.

At first instance and in the Court of Appeal, it was held that article 3 of the agreement constituted an attempt to fetter TBL's statutory power to increase its capital and was accordingly invalid.

Allowing Mr Russell's appeal, the House of Lords stated that, while a provision in a company's articles which restricted its statutory power to alter those articles was invalid, an agreement outside the articles between the shareholders themselves as to how they should exercise their voting rights on a resolution to alter the articles was not necessarily invalid. TBL's undertaking was independent and severable and there was no reason why it should not be enforceable by the shareholders as between themselves as a agreement which in no way fettered TBL in the exercise of its statutory powers.

The Standard Steamship Owners' Protection and Indemnity Association (Bernuda) Ltd v Gann and another (FT, June 19)

THE CLUB was a shipowners' mutual assurance association, which issued and provided insurance on the basis of its rules from year to year. Its claim, from the defendants amounted to more than £1.3m for loss and/or damages arising from non-payment of supplementary calls and relief calls.

Rule 23(1) provided that "the owner hereby submits to the jurisdiction of the High Court of Justice in England". The English choice of law clause was a significant consideration in favour of English jurisdiction.

Hirst J said, in refusing to set aside an order which granted the plaintiff leave to serve proceedings on the defendants out of the jurisdiction.

(i) On all main issues the crucial point of contact was in London between London brokers and the club. The witnesses relevant to those aspects were in London and the relevant documents would mainly be in London.

(ii) The defendants' claims against third parties, which were by no means all London-based, would only arise if the club succeeded in its claim.

(iii) It seemed likely that the number of witnesses for each

jurisdiction would be evenly balanced, and that the preponderance of documents would be in London.

Touche Ross & Co and others v Baker (FT, June 24)

Touche Ross and five other accountancy firms were insured under excess professional indemnity policies. Substantial lines had been taken by Lloyd's Syndicate no. 128 on the first and third excess layers.

The policies contained discovery extension clauses giving the assured an option exercisable before expiry of the policy to prolong cover for a further period in exchange for additional premiums.

When the assured set about replacing cover, not all insurers were willing to participate, so the assured invoked the discovery extension clause. With one exception, the non-renewing insurers accepted invocation of the clause, the exception being Syndicate 128, which maintained that the clause had to be exercised against all the insurers or none.

At first instance and in the Court of Appeal, it was held that the argument for the syndicate would mean that the assured would have the right to exercise the discovery extension option separately against each individual name, which was a result entirely contrary to the way in which Lloyd's conducted its business.

Dismissing the appeal, the House of Lords stated that there was nothing in the words of the policy to compel the result for which the underwriters contended, and everything in the practical considerations to the opposite effect.

Aviva Golden

Regina v Lauto, ex parte Ross (FT, June 25)

THE COURT of Appeal dismissed an appeal by the sole director of the Winchester Group plc when his application for judicial review of the decision by the Life Assurance Unit Trust Regulatory Organisation Ltd (Lauto) was refused by the Divisional Court.

Lauto had served an intervention notice under its rules on Winchester which in effect had prohibited the carrying-on of its investment business. On appeal, the key issue was whether Lauto's failure to give Winchester an opportunity to make representations before service invalidated the notice.

The Court of Appeal stated that the decision whether to exercise the power of intervention and to serve a notice before hearing the persons to whom it was directed or whom it would affect had to be balanced against what Lauto regarded as the interests of its members. As a general proposition the decision-making body did owe some duty of fairness to that second person, which in appropriate circumstances might well include a duty to allow him to make representations. That would particularly be the case when the adverse effect was on the second person's livelihood or ability to earn. Although at the relevant time, Lauto's rules, and thus its procedure, were defective in the respects outlined, it was not required by law to afford to Winchester the opportunity to make representations before deciding to serve its notice.

Aviva Golden

WORLD NUCLEAR INDUSTRIES

The FT proposes to publish this survey on October 15 1992.

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Cinema/Nigel Andrews

Bring on the dancing pixies

LIES IS becoming so confused and congested in the modern rain-forest, at least according to the modern movie, that I suggest the publication of a special Yellow Pages telephone book. This would allow out-triggers to do the walking as we search out, say, Mr. Mad Biologist (Sean Connery in *Mad Biologist*), P for priest in *Crash* (John Lithgow in *Crash*), L for lost boy gone native (*The Emerald Forest*) or in the new animated feature *FernGully: The Last Rainforest*, F for fairy, T for tree spirit and U for unidentifiable slithering things.

The film is a trades fair of rain-forest archetypes and stereotypes. It strengthens the Andrews Theory that the next big movie genre will be films about people trying to escape the overcrowded jungle to find peace in the inner cities. *FernGully* is presented as a last, lost haven of Disneyesque greenery, where trees grow to 500 ft, rain-drops sparkle magically on each leaf, lizards sing, pixies dance and insects ride aerial surfboards. Only - yes - the roar of the not-too-distant bulldozer threatens the perfect serenity of this teeming Eden.

If it is destroyed, what will happen to the world's oxygen? How many million rare species will be wiped out? Will we lose our chance to cure cancer? Has humanity any chance of surviving into the next fashionable Decade?

Directed by Bill Crover and scripted by Jim Cox from the *FernGully* stories of Diana Young (unfamiliar to me), the film is far merrier than these hints of rhetorical self-importance suggest. Chief thanks go to Robin Williams, who voices Betty the bat. Williams suggests that 20th century comic despair has already pierced and pillaged the jungle. Wearing a crumpled radar antenna and winking smile, he wisecracks his way from tree to tree, occasionally missing his branch ("Oh - gravity works") and frequently missing the propagandist points made by the eco-conscious fairy heroine in her no doubt biodegradable bikini; not to mention, but if we must, her wise old teacher Magi Lune.

But even without Williams, the environmentalist clichés are pretty

clad in botanical heroque. The demonising roarings of the bulldozer, doubly amplified after it has been hijacked by the evil tree spirit (Lithgow), set the eco-pantomimic tone, and the non-stop scenic transformations complete the picture. Never mind the more brutish aspects of jungle life: no creature actually eats any other in this frazzled vegetarian Arceus. Just swoon at the catopied richness of the trees, the trifling of the waterfalls and the sunlight's golden spears showering down into a world that, far from being endangered, never existed outside the cinema in the first place.

Luis Bymuel's *The Discreet Charm Of The Bourgeoisie*, his gloriously even-tempered 1979 comedy, is also about endangered life forms. But the fauna in this fable about survival are busy designing and then jettisoning their own historical auto-destruct devices. The six characters in search of a square meal are a group of gullible grumpy friends - a drug-trafficking ambassador (Fernando Rey), his elegantly corrupt cronies (Paul Frankeur, Jean-Pierre Cessal) and their chief consort (Stephanie Audran, Bulle

FERNGULLY: THE LAST RAINFOREST (U)
Bill Crover

THE DISCREET CHARM OF THE BOURGEOISIE (PG)
Luis Bymuel

MASALA (18)
Srinivas Krishna

Ogier, Delphine Seyrig) - who spend the film processing from one eating appointment to the next, unable to start or complete their repasts. A dead body in a restaurant; army manoeuvres in a host's garden; a dining-room turns out to be a stage set...

At some point the six are joined by a seventh: a worker-bishop (Julien Berthaut) who goes unrecognised and insulted whenever he swaps his robes for a gardener's overalls. The film is all about ceremony and expectation and the imbecility of allowing ourselves to be fooled or programmed by either. Every time a new carpet is laid under the filmgoer's feet, it is whipped away. Scenes reveal them-

selves as dreams; a complete stranger accosts the three women at a café to tell his life story; terrorists burst through the windows of Cassel's villa to ruin the *gigot d'agneau* course.

Imperturbably, the sextet pursue their next and then their next epicurean sit-downs. The film's only fault, as it polishes each comic image to a gleam, is that rather than condemning the rascally sextet we identify with their gracious pursuit of the simple-turned-impossible. Was stoicism ever funnier and more winning? Was eating ever lent so Homeric, so hieratic a resonance?

Srinivas Krishna's *Masala* is something inedible from Canada. Did you know that there was a thriving Indian community in Toronto? Well, you do now. And *Masala* might have been a Canadian *My Beautiful Laundrette*. Instead it is more like two hours of watching underside story ideas spin around in a greasy lather. The young hero, played by the writer-director, has girl trouble, uncle trouble (Saeed Jaffrey in one of three roles), religious-fantasy trouble (Saeed Jaffrey as the god Krishna), priceless stamp

trouble (Saeed Jaffrey as another, philatelic uncle) and mad grandma trouble (not Saeed Jaffrey).

The battle between youthful Westernised energy and domineering Eastern culture should have carried and harmonised the story. But the film, a chaos of themes and styles unyoked by any inner authorial voice, only proves the old Hindu proverb that fools rush in where angels fear to tread.

Never mind east versus west: if you are a southerner coping with celluloid deprivation in or near London you may wish to flee north. The Edinburgh Film Festival begins at the end of next week and shows that a city dubbed the Athens of the North can also pass itself off as the Cannes or Berlin of those climes.

Though under new management, with Penny Thompson succeeding David Robinson, this year's EFF combines the traditional choice pickings from the year's European festivals with the best of British and American cinema. Istvan Szabo, Hans-Jürgen Syberberg, John Boorman, Michael Apted, Hal Hartley; fêted new actor-directors Tim Robbins and John Turturro; and older luminaries landing in Auld Reekie to give masterclasses. These include director-cameraman Freddie Francis (*Glory, Cape Fear*) and that living legend of the low-budgeters Samuel Fuller (*Run of the Arrow, Pickup On South Street, The Big Red One*). Fuller, who at age 80 is now cinema's answer to the Ancient Mariner, will be holding forth to festi-

valgoers and TV cameras on August 22. Before that, on next Saturday's art page, he talks cigar-wavingly to me and the Weekend FT.

If you want to mark your cards for specific films at Edinburgh, here are my top five. Tim Robbins's Altmanesque political satire *Bob Roberts*; John Turturro's autobiographical *Mac*, which won the Camera d'Or for best first feature at Cannes; Jean-Claude Lauzon's likewise autobiographical and very funny *Leolo*; Les Carax's bizarre Parisian romance *Les Amants Du Pont Neuf*; and Quentin Tarantino's *Reservoir Dogs*, starring Harvey Keitel in a barking, blazing, B movie-style thriller that even Mr Fuller might be proud of.



Eco-conscious fairy meets vegetarian friend in "FernGully"

Opera/Richard Fairman

La Bohème

THE YOUNG Bohémians in this production are fortunate, as they have managed to rent a genuine artist's studio. Its Northern aspect sheds a chill, grey light across their apartment from a floor-to-ceiling window looking out over the rooftops of Paris. In the best romantic fashion this is a love story open to the stars (literally so, as its badly smashed glass has never been repaired).

This summer's *La Bohème* is the second production by Bath City Opera, which is aiming to bring opera to the West Country on a more regular basis than heretofore. To date the company's home has been Bath's Theatre Royal, an incomparably elegant venue, if on the small side for full-scale opera. With that in mind, it is possible to imagine a very special *La Bohème* there, intimate and poetic, sensitive to the style and manners of the period.

Unfortunately that was not the kind of performance that the company purports it may have had. The producer, John Pascoe, set out to present a traditional production of quality.

And in David Myerscough-Jones's imaginative and realistic designs, beautifully lit by Peter Blackmore, he certainly found it: the instantaneous shift from the attic of the first act to a bustling Parisian street-scene was nothing short of brilliant.

For the third act the designer produced an atmospheric scene at the gate to the city, as dawn rose over Notre-Dame in the distance through the early morning winter mists. Half the work is already done for the singers when the mood is as well prepared as this and yet, as the dying Mimì and her Rodolfo worked out the painful twists in their relationship, the drama steadfastly refused to tug at the heart-strings.

For Mimì, the company had been fortunate to capture René Fleming, of recent Glyndebourne and Royal Opera renown. Now seven months' pregnant, she could not help looking in the bloom of health, while the voice, once into its stride, also put strength ahead of wilting soprano frailty. She was matched by another American guest, Marcus Haddock, a self-confident, almost pushy

Rodolfo with a macho stance, and a robust singer too, long-breathed and forceful. Theirs, one felt, was a frank modern romance with little time for 19th-century mores.

Even with reduced forces the accompaniment from Klaus Donath and the Bath City Orchestra (rather untidy - later nights may be better) sounded pretty hearty in this small theatre. All the singers, including Motti Kastón's stern Marcello and the phlegmatic Colline of Richard Robson, had to find reserves of strength to ride the orchestral swell. I liked Elena Vink's Musetta, though, haughty when her star was in the ascendant at the Café Momus, thoroughly washed-out the morning after the night before.

If any other theatre with a stage of this size wants to put on *La Bohème*, it could have a handsome visual production ready-made. For Bath City Opera it is on to Rossini's *La Cenerentola* later this year and hopes of success for a very welcome new operatic venture.

Performances continue until August 8. Box Office 0225-448844.

Theatre/Andrew St George

Much Ado About Nothing

THE Oxford Stage Company's *Much Ado About Nothing* has arrived at Oxford on the home stretch of its national and international tour. The production is bold, colourful and ambitious. At the moment, it jeopardises itself by trying for too much diversity.

The first ten minutes of the evening, before a syllable of Shakespeare, offer a battle-scene with Yoruba war chant. Why is it here? why does the director (Alexandra Darle) change the ending to make the action a respite between wars? *Much Ado* sits awkwardly between the safety of *As You Like It* and the seriousness of *Hamlet*. The Oxford Stage Company looks into the void and fills it with variety: Benedict is a clean-cut WASP, Beatrice an Irish rantier, Don Pedro a shaven-headed bully, Don John an Eastern prince, Margaret a shrieking washerwoman and Borachio a mewling cat.

Shakespeare did bring a range of characters from Padua, Aragon and Florence to the scene in Messina, so Darle's direction recognises the excuse for ethnic mix in the

characters themselves. In social terms, if you believe John Stuart Mill, diversity is liberty in theatrical terms, it is a heavy three hours wrenched from a light play.

The Company courts weakness from strength. The very fine styles available within the cast impinge on Shakespeare: after the war chant, the pre-uptal party is a cellist, the song "Sigh No More" is a Cha Cha, Hero's wedding is a Malay ceremony followed by voodoo necromancy to revive her.

The impact is not diversity but dissipation; other "politically correct" productions (Othello at the Liverpool Everyman 1991, and the current RSC *The Odyssey* and *The Taming of the Shrew* at Stratford) make political points without giving up dramatic integrity; so the fine line between delighting and instructing an audience can be drawn.

However, this show has two great strengths. First, as a touring idea, with an eye on the closing dates in Malaysia and Japan, the design works well: sparse attention to rough wood frame and fabric hangings, and lavish attention to the costumes. Set and costumes draw on Far Eastern and Balkan design, as does Karl James' fine score carried by Jan Alphonse's powerful singing.

Second, this *Much Ado* gets along without leaning on Beatrice and Benedict (both well played by Marie Frances and James Simmonds). Shaw thought it a shocking bad play saved only by Dogberry at the end, when the unfunny Beatrice and Benedict were exhausted. Unhappily, Dogberry's scenes are truncated and the character who remains is too stupid to be serious and too brash to be funny.

Oxford Playhouse, August 4-29: Open Air Theatre, Arundel, September 1-5; Theatre Royal, Bury St Edmunds, September 14-19; MacRoberts Arts Centre, Stirling, September 22-26; Hawth Theatre, Crawley, September 29-October 3; Wyvern Theatre, Swindon, October 6-10; Arts Centre, Warwick University, October 12-17; The Playhouse, Harlow, October 20-24; Brewhouse Theatre, Taunton, October 27-31; Kuala Lumpur, November 5-8; Japan, November 12-19. The production is sponsored by BT.

Installation Art

Summer Lightning

THIS LONDON summer continues to bring delights for those prepared to venture further than the beleaguered shores of Cork Street to seek out works of art. One of the most rewarding of the crop of site-related shows is "Summer Lightning," at the Dreadnought Segmen's Hospital, Romney Road, Greenwich, until the end of August.

Eleven women artists, five from the UK - Laura Ford, Sharon Kivland, Virginia Narmok, Rebecca Scott, Kate Smith and six from Los Angeles - Elizabeth Bryant, Sheila Klien, Lauren Lesko, Yolande McKay, Theresa Pendlebury and Jennifer Steinkamp were invited by curator George Wise to create work for the historic site. Originally founded in the 17th century to provide a home for naval pensioners, the building became a hospital in 1870. It ceased to be a hospital in 1986 and the building is now empty.

It is a challenging setting, but the participants rise to the occasion with an affecting mixture of empathy and style. Offering a wide range of individual works of varying degrees of excellence, the show also succeeds overall as an impressive demonstration of how effective such site-specific commissions can be.

This is partly due to the work of Elizabeth Bryant, who has ranged six separate installations throughout the building. Their continuity of motif - a painted chair represents the nurses whose work is described on tapes in each location, while a range of objects symbolises the hopes, fears and dreams of the patients - the careful research they demonstrate and their apposite use of the spaces chosen, give coherence to the slightly unnerving wander through empty wards and silent corridors which viewing the show entails.

Before reaching her first room, one passes through a truly sinister parlour, the work of Theresa Pendlebury. Here is her cool description, "The room is not historically accurate but reflects the residue of the nineteenth century in our own time. I selected the microbes and agents of malaria, syphilis and consumption and turned them into decorative motifs."

She has turned the domestic decor of Victorian times into a horror show. The crocheted mats, hanging over black covered chairs, lurk beneath a blood red gown, formal, full skirted, is displayed. What a lot it says, this little tableau, how hauntingly it hints at hidden desires, richer hopes.

The piece is typical of the subtlety of approach the artists have brought to their task, the variety of ways in which they have tackled an environment both historic and intimate, once with so clear a purpose, now derelict. For despite the heritage industry which now holds Greenwich to ransom, the future of this particular historic building is uncertain. The opportunity to explore it, and in such sympathetic company, is well worth taking.

Exhibition open Fridays, Saturdays, Sundays and Bank Holidays from 12 to 7pm.

Lynn MacRitchie

admires a powerful exhibition in a historic naval setting

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 Barry Tuckerwell plays horn concertos by Rosetti and Mozart, with the Australian Chamber Orchestra. Next Wed: Gil Shaham violin recital. Aug 14: Giulini conducts the ECOYO (6718 345).

MUSIC

Elisabeth Fischer gives a song recital tonight in the Epiphaniakirche, with works by Mendelssohn and Dvořák (Knobelsdorffstrasse 72, 302 3313). Tomorrow at Podewil: Martinu Quartet plays works by Suk, Haydn and Dvořák (Klosterstrasse 68, 24030). Sat and Sun at Schloss Charlottenburg (Luisenplatz): cello recital by Thilo Thomas Kriger. Sun at Nikolaikirche: baroque chamber orchestra concert with musicians from Prague (Nikolaikirchplatz 2431 3148).

THEATRE

42nd Street: daily except Mon

at Metropoli Theater (East Berlin 208 2715).
● The Blue Angel: Ute Lemper and Eva Mattes alternate as Lola, the nightclub singer who captivates Professor Raat (Theater des Westens, West Berlin 3190 3193).
● Ich steig aus und mach 'ne eigene Show: popular musical in open-air setting (Freilichtbühne an der Zitadelle, West Berlin 331 8920).
● Theaterkasse im Europa-Center has an information and ticket service for Berlin entertainments (Tauentzienstrasse 9, West Berlin 261 7051).

BRUGES

EARLY MUSIC FESTIVAL James Bowman is soloist in tonight's concert by the King's Consort, devoted to solo cantatas by Bach and contemporaries. Tomorrow, Il Giardino Armonico Milano plays music by Italian contemporaries of Bach. The final concert on Sat is a performance of Bach's B minor Mass by the Gabrieli Choir and Players, conducted by Paul McCreech (50-448888). The Flanders Festival continues in Antwerp from Aug 17 to 26, with choirs from Estonia, Latvia and Lithuania (3-220 8328).

FRANKFURT

COOPERATION 82 The Frankfurt Opera and Ballet has organised a pre-season programme involving other internationally-recognised companies. The main event is

a production of the Philip Glass opera *Einstein on the Beach*, which receives four performances starting Aug 19, directed by Bob Wilson and choreographed by Linda Childs. There will also be a Tel Aviv Week, involving two staged performances of Britten's *The Turn of the Screw* (Aug 29 and 30), two concerts by the Israel Chamber Orchestra directed by Shlomo Mintz (Sep 1 and 2) and performances by the Batshava Dance Company (Sep 4 and 5). The final visitors are the Merce Cunningham Dance Company on Sep 17, 18, 19 and 20. The Frankfurt Opera season starts on Sep 27 with a revival of *Il barbiere di Siviglia*. The first new production will be Die Fledermaus on Oct 31. Ruth Berghaus will stage Der Rosenkavalier on Dec 23, and the season's other new productions are Lady Macbeth of Mzensk, Il matrimonio segreto and Die Meistersinger von Nürnberg (236061).

LONDON

THEATRE
● The Streets of Crocodiles: a new piece based on short stories by Bruno Schulz, a Polish writer killed by the Gestapo, whose comic vision of small town life in pre-war years is populated by extraordinary characters. Starts previewing tonight, Press night next Thurs (Cottesloe, National Theatre 071-928 2252).
● A Midsummer Night's Dream: Robert Leggate's new Shakespeare production is acted

out in a pool of mud. In repertory with G B Shaw's *Pygmalion* (Olivier, National Theatre 071-928 2252).
● Columbus: Jonathan Hyde takes the title role in Play for the Royal Shakespeare Company. In repertory with Shakespeare's *Romeo and Juliet* and Ben Jonson's *The Alchemist* (Barbican 071-638 8891).
● Hush: a new play by April de Angelis, about a 15-year-old girl whose mother disappears mysteriously and who tries to build a new life with her aunt. Directed by Max Stafford-Clark (Royal Court 071-730 1745).
● Porcelain: Chay Yaw's new play about a gay British-born Chinese who shoots his Caucasian lover and tells his story to a psychologist (Theatre Upstairs, Royal Court 071-730 1745).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430859 Musicals 0836 430860 Comedies 0836 430861 Thrillers 0836 430862

DANCE

Covent Garden 19.30 Kenneth MacMillan's Royal Ballet production of *Romeo and Juliet*, with Alina Astasheva, repeated on Sat. Tomorrow: La Bayadère. These are the final performances of the season (071-240 1068).
Royal Festival Hall 19.30 Ronald Hynd's English National Ballet production of *Coppélia*, also tomorrow and Sat. Next week: Frederick Ashton's production

of *Romeo and Juliet* (071-928 8800).
MUSIC
Barbican 19.30 Stéphane Grappelli. Tomorrow: Barbara Cook's one-woman show, *Sat and Sun*, highlights from West Side Story, with Jerry Hadley, Kurt Ollman, Della Jones and others. Next week: Travelling Opera presents its high-spirited productions of popular operas by Mozart, Puccini and Rossini (071-638 8891).
Royal Albert Hall 19.30 Jerzy Maksymiuk conducts the BBC Scottish Symphony Orchestra in Lutoslawski's *Live pure* Orchestre, Rakhmaninov's Fourth Piano Concerto (Nikolai Demidenko) and Sibelius' Seventh Symphony. Tomorrow: Rattle and the CBSO. Sat: Frank Peter Zimmermann plays Beethoven's Violin Concerto. Sun: Mahler's Second Symphony. Mon: world premiere of James MacMillan's new orchestral work. Tue: Thomas Hampson sings Des Knaben Wunderhorn (071-823 9998).

MUNICH

MUSIC
Brunnenhof der Residenz has open-air orchestral concerts daily till Sun at 20.00. Carlo Maria Giulini conducts the European Community Youth Orchestra in Beethoven's Ninth Symphony at Gasteig on Aug 16.
THEATRE
● As You Like It: open-air production of Shakespeare's comedy by Theater Scaramouche. Daily except Mon

at 20.00 till Aug 30 (Seebühne im Westpark 334555).
● Jesus Christ Superstar: Andrew Lloyd Webber's musical, daily at 20.30 till Sun (Theatron im Olympiapark).

STRATFORD

The repertory at the Royal Shakespeare Theatre currently consists of David Thacker's production of *As You Like It* (with Samantha Bond as Rosalind), Bill Alexander's production of *The Taming of the Shrew* (with Anton Lesser as Petruchio) and *The Winter's Tale*. A new production of *The Merry Wives of Windsor*, directed by David Thacker, starts previewing on Aug 27. At the Swan Theatre, Terry Hands directs Antony Sher in Christopher Marlowe's *Tamburlaine the Great*, previewing from next Thurs at the Swan Theatre. The Swan repertory also includes *The Beggar's Opera* and Peter Hall's production of *All's Well That Ends Well* (0789-295623).

VIENNA

Theater im Künstlerhaus this month hosts a festival of solo dance, with an international guest performer. Tomorrow and Sat: Itzok Kovac from Slovenia. Aug 10 and 11: Denise Stockios from Brazil. Aug 15 and 16: Stephen Petronio, Jeremy Nelson and Christine Caprioli. Aug 18 and 19: Marie Chouinard from Canada. Aug 25 and 26: Doug Elkins from New York (Karlplatz 5, tel 537 0504).

European Cable and Satellite Business TV

(all times CET)	
MONDAY TO FRIDAY	
CNN	2000-2200, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman
Super Channel	0800-0900 (Mon-Fri) FT East Europe Report - weekly online analysis from FTV
FTV	2130-2200 (Tues) Media Europe - what's new in European media business
FTV	2130-2200 (Wed) FT Business Weekly - global business report with James Salini
FTV	0830-0900 (Thurs) Media Europe
FTV	2130-2200 (Thurs) FT Eastern Europe Report
FTV	0830-0900 (Fri) FT Business Weekly
SATURDAY	
CNN	0900-0930 World Business This Week - a joint FT/CNN production
FTV	1800-1930 World Business This Week
SUNDAY	
Super Channel	1800-1930 FT Business Weekly
FTV	1030-1100, 1800-1930 World Business This Week
FTV	1300-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday August 6 1992

Pay restraint and the ERM

THE UK government, like the economy, is stuck. There is no shortage of advice from business and the City, peddling pet schemes for reviving growth and closing the budget deficit. Some are half-cooked; others are precluded by European commitments. None offers a release from the current stranglehold of high interest rates and heavy debts.

But one idea, floated by Mr Howard Davies, the new director general of the Confederation of British Industry, deserves scrutiny. Rather than cut infrastructure spending next year in order to meet its spending target, Mr Davies says that the government should freeze the public wage bill.

Squeezing public sector pay is a tried and tested method for reducing public spending when the government's budget is in a mess. Mrs Thatcher tried it in the first half of the 1980s with some success. But the strategy failed the test of good governance. The consequent fall in the wages of public employees relative to their private sector counterparts led directly to the problems of recruitment, retention and motivation which plagued the public services in the latter part of the decade.

Mr Davies is right to urge the government not to savage its already meagre capital spending budget; but freezing public sector wages could be an equally short-term solution. In some areas, there may be scope for wage increases offset by efficiency gains, although now is not the best time to cut public employment. But imposing zero increases on the bulk of the public sector will only cause severe problems when the economy recovers.

Yet the government should not dismiss Mr Davies's suggestion out of hand. The budget deficit is

only one of the economy's current problems. At least as important is the effect of excessively high wage inflation, in both the traded and non-traded sectors, on the competitiveness of British industry. With sterling fixed in the exchange rate mechanism, higher wage inflation than in other European countries means squeezed profits, fewer exports and probably higher interest rates too.

UK wage inflation is still too high, even after eight quarters of recession and a rise in unemployment in excess of 1 million. Over the past six months, earnings have risen at an annual rate of 4.7 per cent, while pay settlements are now running at below 4 per cent. But these rates must fall to 3 and 2 per cent respectively if the UK is to hold its own in Europe, let alone regain some of the lost competitiveness of the past three years.

The public sector must adjust to a low inflation life in the ERM. The pay review bodies set up last time lagging public sector pay caused serious recruitment problems since the mid-1980s have served many public employees well over the past year: public sector wages increased by 2.5 per cent, while private sector settlements in 1991-92 clawed back much of the ground lost in the late 1980s. They must now turn their sights to the future. The government should state categorically that it will not accept settlements in excess of 2 per cent next year and stick to its guns.

The onus, then, will be on British businesses and their representatives likewise to adjust to the realities of ERM life. Mr Davies's advice is welcome; but he is no longer the public sector's auditor. He should now attend to the inflationary tendencies of his new constituency.

Moscow and Kiev

THIS WEEK'S agreement between the presidents of Russia and Ukraine to put the disputed Black Sea fleet under joint control for three years and prepare the ground for wider ranging trade and economic agreements is a victory for common sense.

Sceptics warn that the agreement reached at Mukhlatka in the Crimea could be an exercise in papering over the cracks. They point to the rapid unravelling of the previous accord between the two men at Dagomys two months ago. But this time both President Boris Yeltsin and President Leonid Kravchuk have at least gone out of their way to demonstrate their recognition of the need for a new co-operative alliance between the largest of the former Soviet republics.

Russia without Ukraine is still by far the largest and most populous country in Europe. But without Ukraine's people and resources any attempt to restore the old superpower is unthinkable.

The loss of Ukraine was therefore a bitter blow for nostalgics of empire, both Soviet and Russian. But independence was achieved without bloodshed and many of the genuine reformers in the Russian government, including Mr Andrei Kozyrev, the foreign minister, see the end of empire as a liberation for Russians who have borne its burdens for centuries.

Mr Yeltsin shares this view and has been prepared to make the cultural and political adjustment required to deal with Ukraine as an independent sovereign state of 52m people. He negotiated with Mr

Kravchuk as a national leader of equal status and both sides showed their readiness to compromise. This is good news for Russia and Ukraine, and for the rest of Europe, which fears instability in the east and receives Russian oil and gas mainly through pipelines running beneath Ukrainian soil.

The long-term problem of what to do with the 350-ship navy and its 70,000 officers and ratings remains. Many of the ships are obsolete, the strategic need for the fleet has evaporated and maintenance is expensive. When it is divided in three years both halves should be much reduced. In the meantime, it is important to work out a new command structure and to replace both Admiral Igor Kasatonov, the present commander, and the more stridently nationalistic Ukrainian officers, who helped to make the fleet the subject of rival nationalisms.

Defusing the explosive potential of the fleet question in this way should free the leaders of both republics to concentrate on the really important aspects of their future relationship: trade and finance.

It is desirable for both countries to explore other markets and for Ukraine to introduce its own currency. But nature has linked the two states umbilically and it makes sense for both to re-establish their economic links in mutually profitable, not mutually harmful ways. Essentially this means agreeing prices which reflect the relative cheapness of Russian energy and Ukrainian grain and a payments system which allows this trade to flourish.

Fraud on trial

THE BLUE ARROW fraud trial was rightly labelled a costly disaster by the Appeal Court. The blame for its inordinate length and ultimate unmanageability was apportioned between the trial judge, Mr Justice McKinnon, and the prosecution.

The Court said if such trials were to be avoided in future, trial judges would have to take a firmer grasp on proceedings and the prosecution would have to show restraint in framing indictments. Fear of losing on a few counts was not a reason for throwing the book at defendants. The Serious Fraud Office should present only essential evidence. Trial judges should not be afraid to use their power to split trials in order to reduce cases to manageable proportions. In addition, Mr Justice Brooke formally acquitting the remaining four defendants in the Blue Arrow case spoke of the need for judges to make greater use of new technology in the court and to undertake training in trial management.

Is this enough to ensure fraud trials stay within manageable limits in future? The judges have clearly indicated that they intend to do all they can within the constraints of the present system to

rectify the problems of long fraud trials. Other changes such as time limits on fraud trials, greater powers for trial judges in preliminary hearings, and the introduction of a simple fraud offence would require legislation.

Much therefore depends on the attitude of the SFO. It maintains it is bound by the code of prosecutors not to overload the indictment or charge people on the fringes of a case. It rejects the suggestion that it includes too many charges in big fraud cases but says it can not be placed in a straitjacket.

The trial of Mr Asil Nadir will provide the first test of its resolve. The former Polly Peck chairman still faces more than 60 charges, but the SFO says that he will only face 16 specimen charges of theft by the time his case comes to trial next March.

If the SFO is able in the coming months to produce manageable charge sheets in this and other cases, it may be unnecessary for the government to legislate. If not, then the government will need to use this autumn's planned consultation process on the practice and procedure of fraud trials as a launching pad for legislation.

President George Bush might not have imagined it possible, but 18 months after the end of the Gulf war he has found himself forced to box with the shadow of Mr Saddam Hussein on two fronts.

Internationally, Saddam's defiance over United Nations nuclear inspection efforts in Baghdad underscored the extent to which the Iraqi leader could taunt Mr Bush during a presidential election year.

In the US, the Bush administration has been irritated by a series of congressional investigations into both the arming of Iraq in the 1980s and the improper lending of \$5bn to Baghdad by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

The investigations have produced serious allegations that go well beyond the acknowledged policy failures of the US "tilt" toward Iraq during the Iran-Iraq war which ended in 1988. Instead, the claims are that officials of the Bush administration may have been guilty of criminal wrongdoing. Democratic members of Congress are alleging that for more than a year after the war ended, top government officials pursued a policy of appeasing Saddam with illegal transfers of money and arms in an attempt to maintain US influence in Iraq.

Dozens of documents disclosed in Congress illustrate that nearly three years ago the White House and the State Department were aware of Iraqi arms procurement networks operating in Europe and the US. They also catalogue how explicit government approval was given to the export of technology directly to Iraqi factories known by Washington to be at work on nuclear and chemical weapons.

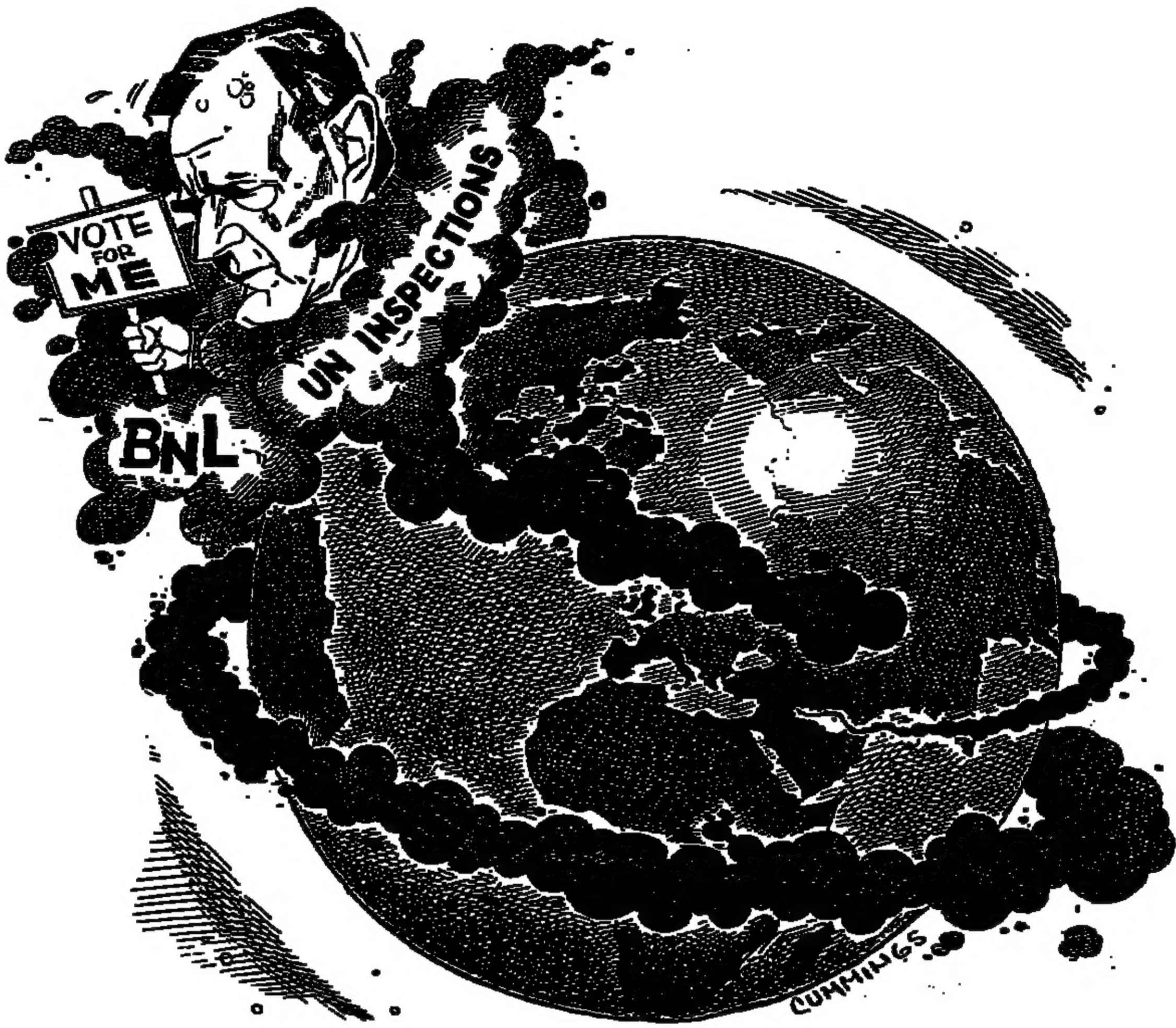
The documents also show that the administration allowed Iraqi-owned companies such as the Ohio affiliate of Britain's Matrix-Churchill, the machine tools company, to operate in the US even after the August 1990 invasion of Kuwait. In addition, they confirm that US officials later altered Commerce Department documents to hide from Congress the fact that export licences had permitted military goods to be shipped to Iraq. This willingness to allow militarily useful goods to be exported to Iraq had been part of a broader policy of co-operation that was detailed in a presidential directive of October 1989.

Week after week the declassified documents have been placed before Congress by Mr Henry Gonzalez, a persistent and occasionally cantankerous Democrat who chairs the House Banking Committee and who has spearheaded the BNL probe. His accusations form the basis of no fewer than six congressional committee investigations, but it is only in the past few weeks that leading Democrats have begun to take a public interest. The US media has dubbed the story "Iraqgate".

Mr Gonzalez and other Democrats have not hesitated to hurl the phrase "cover-up" at the White House. Just as Mr Bush and his aides have sought to portray the entire investigation as politically biased hyperbole inspired by the presidential election campaign. However, congressional Democrats, led by Mr Jack Brooks, the conservative Texan who chairs the House Judiciary Committee, have created what could be a potentially more serious problem for Mr Bush and his colleagues. Earlier this month, Mr Brooks and 19 other Democratic members of his committee wrote to Mr William Barr, the US attorney-general, demanding the appointment of a special prosecutor to investigate allegations that high-

The Bush administration is coming under fire as Congress investigates alleged transfers of arms and money to Iraq, writes Alan Friedman

A paper trail of troubles



ranking officials of the administration had committed crimes in arming Iraq before the Kuwait invasion and then broke other laws in seeking to conceal information from investigators. Mr Barr has not yet replied to the request.

At the heart of the Iraqgate allegations is the extent to which the Bush administration can be shown to have knowingly assisted Iraq with loan guarantees and militarily useful technology, including government-approved exports that helped Saddam's nuclear, chemical and biological weapons projects as late as 1990.

US investigators say an estimated \$2bn of the \$5bn of Iraqi loans made by BNL Atlanta went to help Saddam's weapons programmes. They allege that both the Reagan and Bush administrations were aware of the Iraqi loans flowing from Atlanta to Baghdad and found it convenient to permit them as part of their pro-Baghdad policy. This charge, however, has not been documented.

Several hundred millions of the unauthorised \$5bn BNL loans were backed by a US government loan guarantee plan administered by the Agriculture Department's Commodity Credit Corporation (CCC). The investigators allege that Iraq abused the CCC programme by using money ostensibly loaned for

US farm exports for military projects with the knowledge of the Bush administration.

US government documents show that money from the BNL Atlanta branch funded Iraq's Condor 2 missile project as well as components for nuclear weapons and the "super-gun" of the late scientist Dr Gerald Bull. BNL also funded, according to CIA reports in 1989, Matrix-Churchill and other US and UK-based front companies owned by Iraq and used in its procurement scheme.

The paper trail now in the public domain tells the story of a curious sequence of events beginning with the initial August 1989 disclosure of the BNL loans scandal.

In a Federal Reserve memorandum dated September 22 1989, Ms Gail McKenzie, the Atlanta prosecutor heading the BNL probe, is quoted on the issue of press allegations that BNL money went to fund the Condor 2 missile project: "Everything being written about the missile sales is true," she said.

Other recently released documents include US Customs Service memos written nearly three years ago that stated flatly that BNL was suspected of having "provided loans to various US firms for the illegal export to Iraq of missile related technology to be used in the Condor 2 project". This is striking given

that Department of Justice officials have insisted in public, as recently as June 1992, that they cannot discuss any of the military aspects of the BNL affair, which remain under investigation.

The thesis of US prosecutors in Atlanta, who have indicted only a handful of Iraqis and some former BNL employees including Mr Chris Drogoul, the former Atlanta branch manager, is that the entire \$5bn Iraqi loans fraud was perpetrated between a group of low-level BNL employees in Atlanta and their Iraqi paymasters.

For his part, Mr Drogoul - indicted on numerous charges of fraud and money laundering - went public in April, claiming both the US and Italian governments knew of the BNL loans to Baghdad. The charge has been denied by the Bush administration. By June, however, Mr Drogoul struck a plea bargain with the Justice Department. Many charges were dropped in exchange for his co-operation with prosecutors.

An illustration of the high-level attention the BNL scandal received can be found in a declassified cable describing a meeting in October 1989 between Mr James Baker, the Secretary of State, and Mr Tariq Aziz, then Iraq's foreign minister. It reports Mr Aziz, as saying that

Baghdad was unhappy because Washington was dragging its feet on a request for \$1bn more loan guarantees.

At this time, there was already debate in the White House over the loan guarantees in light of Iraq's suspected abuse of the CCC programme. Mr Baker and his colleagues at State none the less lobbied hard and won approval for the CCC guarantees.

More clues to what the Bush administration knew can be found in a November 6 1989 CIA secret report noting that many US and west European companies supplying goods to Iraq were being paid through BNL. It sourced the information to US diplomats.

This report, which was sent to the National Security Council and the State Department, was dated just 48 hours before the White House meeting convened to debate whether to approve \$1bn of fresh US loan guarantees for Iraq. The CIA confirmed how BNL loans had been used to fund Iraqi companies in the US and Britain that were supplying Baghdad's nuclear weapons and missile projects. The CIA also said Iraq would be unable to replace BNL financing "any time soon".

Investigators in Congress point to five other items to bolster their claims that the administration mishandled the BNL case. These are:

● A November 7 1989 telephone call from a lawyer on the White House staff to the BNL prosecutor in Atlanta expressing concern about the "embarrassment level" of the BNL affair. Government officials have confirmed the call was made, but have denied it was improper.

● An April 5 1990 Federal Reserve memorandum on BNL which states that the case was being complicated "by what is perceived as interference from the Justice Department in Washington".

● Mr Joe Whitley, the US Attorney in Atlanta appointed by President Bush in 1980, had to withdraw from handling the BNL case because he had worked just months before as a lawyer for Matrix-Churchill, the Iraqi-owned company.

● In early 1991, as the Gulf War was starting, the State Department asked the Justice Department not to bring any indictment of the central bank of Iraq in the BNL case, although there was documentary evidence of direct collusion. The reason given was that the central bank had diplomatic immunity.

● In April 1991 a top White House lawyer convened colleagues from the CIA, State, Justice, Commerce and other agencies for a series of meetings to seek ways to avoid providing BNL-related documents to Congress. During these meetings government lawyers discussed the danger that a cabinet member might be prosecuted for refusing to give Congress key documents.

The above events remain in the sphere of circumstantial evidence and as yet, while media interest is growing, the congressional investigations have not caught fire as a significant campaign issue. For his part Mr Bush has angrily denied the allegations from Congress, although the White House has refused to allow key officials to testify.

Informed opinion in Washington, however, is that the attorney-general will eventually appoint a special prosecutor, if only because the Bush administration cannot credibly investigate itself. Whether or not a special prosecutor is named, more revelations and documents are certain to come from Mr Gonzalez, and possibly from Mr Drogoul. Whatever is disclosed, it will not be a plus for the president's already troubled re-election campaign.

BOOK REVIEW

Haunted by history

THE YUGOSLAV CONFLICT

By John Zamecica

Adelphi Paper 270, 115S/Brasserie's, £9.50

The western response to the war in Bosnia-Herzegovina has so far been marked by its overriding sense of caution. Because of their lack of decisive action, the US and European governments may ultimately bear a big share of the responsibility for the republic's destruction.

Military attaches in London and Washington repeatedly have argued against involvement in the Yugoslav conflict. The goals of military intervention are not clear, they say. They fear getting bogged down in a conflict which could drag on for years. Now that the cold war is over, the international community has few interests in the Balkans, they claim.

But western interests in the region are becoming increasingly apparent as the war drags on. As the conflict moves from republic to republic, the threat to stability of the entire Balkan peninsula looms larger. The vicious circle of violence in the region is ever-widening, a fact the west cannot ignore.

In his pamphlet, John Zamecica examines the origins of this circle. He is reluctant to place blame on the Serbian president, Mr Slobodan Milosevic, the late President Tito or the 1974 constitution, which effectively reduced Serbia's powers in the former Yugoslav federation. Instead, he argues that during the late 1980s "the processes which had politicised Yugoslavia almost beyond reason were almost all connected with historical experience and awareness".

If Mr Zamecica blames the current conflict on historical awareness, then perhaps it can be argued that the very establishment of Yugoslavia - the Kingdom of Serbs, Croats and Slovenes - was fundamentally flawed.

The cultural antagonisms between the three ethnic groups were too great to be resolved, as were the mutual suspicions about

who should control the political agenda.

Indeed, the distrust between (Catholic) Croats and (Orthodox) Serbs was evident in the 1921 Vidovdan Constitution which stated that the king must be an Orthodox Christian. Moreover, the debate during the 1920s, during the Tito era and in the 1980s hardly shifted. It continued to focus on the extent to which power should be centralised or decentralised in the multi-ethnic federation.

But there can be little doubt that the rise of Mr Milosevic in 1987 radicalised the debate, because he used the nationalist card to consolidate his power. By forcibly reintegrating into Serbia the southern province of Kosovo and by toppling the leaderships of Montenegro and Vojvodina, he reawakened latent nationalism in Slovenia and Croatia. Both those republics had seen how Mr Milosevic was keen to shape post-Tito Yugoslavia with a more confident Serbia at the helm.

Although Mr Zamecica gives little attention to this point, Slovenia and Croatia opted for independence for this reason, but only after they tried to negotiate a loose confederation of republics within Yugoslavia.

It is evident why Mr Milosevic was not interested in a looser confederation. It would have reduced the power of Serbia. The realisation that Croatia would eventually secede encouraged Mr Milosevic to question what status the Serb minority would have in an independent Croatia.

Mr Zamecica is right to argue that the Croatian president, Mr Franjo Tudjman, played into Mr Milosevic's hand by effectively making

second-class citizens of the ethnic Serbs in his republic. Indeed, Croatia's treatment of the minorities set the stage for Belgrade's fears about the status of Serbs in an independent Bosnia.

But it is difficult to sympathise with Mr Zamecica's assessment that the Bosnian president, Mr Alija Izetbegovic, was intent on creating a Moslem state at the expense of quashing the rights of the minorities. On the contrary, Mr Milosevic and Mr Tudjman were intent on carving out of Bosnia a greater Croatia and Serbia at the expense of any status, or homeland, for the Moslems. It is hardly surprising that the subsequent expulsion of the Bosnian Moslems by Serb forces served to radicalise a once moderate community.

Moreover, it is difficult to agree with Mr Zamecica that the Moslems "in many cases went out of their way to antagonise" the Yugoslav federal army (JNA). Anyone who was in Sarajevo last spring was impressed with the way in which Mr Izetbegovic established good relations with Gen Milutin Kukanjic, head of the JNA's garrison there.

However, Mr Milosevic sacked Mr Kukanjic and promoted Gen Ratko Mladic, who had a reputation as a hardliner, in a move that led the way to an intensification of the siege of Sarajevo.

The destruction of Bosnia will likely continue. The debate about whether the EC contributed to the crisis through the recognition of Slovenia and Croatia will also continue. But the growing consensus among the inhabitants of Sarajevo is that the US and EC have betrayed them in their reluctance to become involved militarily. That reluctance may come back to haunt western leaders.

Judy Dempsey

VITA EC ARRIVALS

UNITED KINGDOM	1949	ON TIME
EIRE	1960	ARR. EARLY
NETHERLANDS	1978	ARR. EARLY
BELGIUM	1979	ARR. EARLY
FRANCE	1984	ARR. EARLY
GERMANY	1985	ARR. EARLY
ITALY	1987	ARR. EARLY
SPAIN	1988	ARR. EARLY
DENMARK	1989	ARR. EARLY

Ahead of schedule!

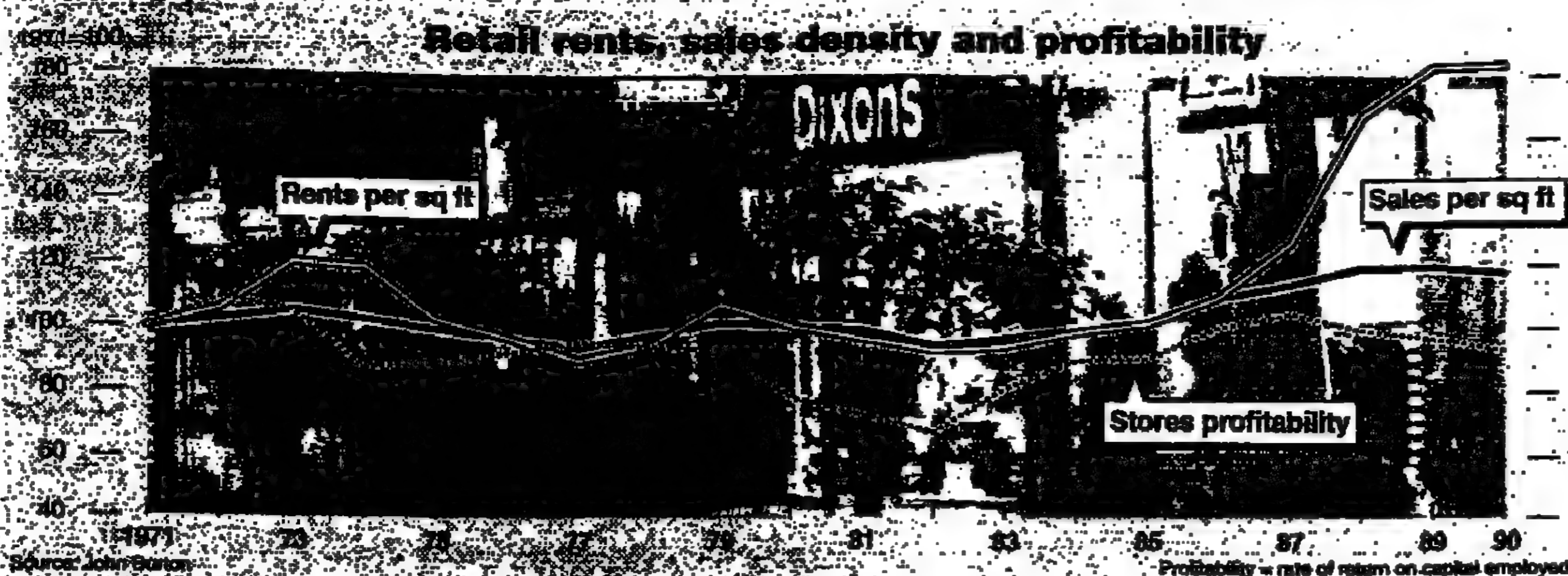
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ECONOMIC VIEWPOINT

The 'upwards only' price mentality

By Samuel Brittan

Newspapers used to be known for Spanish practices. At this time, there was already a guarantee in the White House over the proposed sale of the CCC property. Mr. Baker and his colleagues at State were the last to be heard and sign approval for the CCC property.

More signs to wear the Bush administration can be found in a November 1991 CIA report stating that many US and foreign companies, through the CIA, are being used to bring more being put into the CIA's hands.

This report, which was sent to the National Security Council and the State Department, was dated July 1991. It was a CIA report, not a State Department report, and it was a CIA report, not a State Department report.

vacant because small shopkeepers have quit rather than pay the rent demanded. I mention this because the initiative by Sir Desmond Fitcher of Littlewoods to enlist the support of other large retailers to update the commercial leasing system. Meanwhile, however, a host of campaigns has proliferated among small businesses. One of the most professional has been Camfor (Campaign for Rent Reform) run by a doctor and a surveyor.

Camfor wants to end:

- "upwards-only rent reviews"
- "unfair lease assignment clauses"
- "unfair arbitration clauses for rent reviews"
- "confidentiality clauses on rent agreements"
- "unfair lease assignments"

It refers to a peculiar provision of

there is still something in the view of Sir Penelope Rhodes of the British Property Federation that "present leases have been freely negotiated... It would be unacceptable to declare such contracts void".

The main focus of the argument lies with the five-yearly rent reviews which are supposed to re-establish rents at open-market levels. One reason why this does not happen is that there is, according to Burton, a "contrived contractual inconsistency" between the upwards-only clauses and the requirement in the same leases to set new rents at market levels. But second, and more controversially, Burton says that arbitrators and experts appointed by the Royal Institution of Chartered Surveyors instead of going by standard

Is investment likely to be better as a by-product of the pensions industry than of Keynes's 'casino'?

English (not Scottish) law known as privity, by which the original leaseholder is responsible for the debts of successive holders - conjuring up the picture of the retired grocer in Rognor Regis being presented with the bills of a defaulting tenant holder, of whose existence he had not previously known. The Law Commission has itself called for reform.

Confidentiality clauses bring out the conflict between the right to confidentiality and the need for maximum information in an effective market - a specific example of the much-discussed conflict between an open society and the right to privacy. A compromise would be to enforce disclosure which would be aggregated into indices before publication.

Reform of upwards-only rent reviews must proceed with care. A county court has recently held an upwards-only rent review clause void. But

market analysis - which would concentrate on the excess of demand or supply and expected future inflation - focus too much on "comparables". These include newly agreed rents of comparable premises but ignore, according to Burton, the zero rents from vacant premises. The institution's head, Michael Pattison, has said that it will "respond to requests for a new look at lease and valuation issues".

If arbitrators and adjudicators were to do more to bring rents down to market levels the upwards-only provisions might gradually be negotiated out of existence voluntarily.

It would then be only realistic that legislation designed to protect tenants from market forces should also go - an example being the provisions of the Landlord-Tenant Act, which can provide for up to 14 years' security of tenure after the expiry of a lease.

OBSERVER

Chorus of approval

The latest rendition of New York, New York, comes from an unlikely source. Commonwealth finance ministers are breaking with tradition and holding their annual September meeting in the Big Apple.

Traditionally, the ministers assemble in a member country for their get-together, which precedes the annual meetings of the International Monetary Fund and World Bank in Washington. Last year, Kuala Lumpur did the honours because the IMF met in Bangkok. The year before, Trinidad did its bit.

This year, however, not only did no Commonwealth country volunteer to host the meeting, but the mother of parliaments is not even taking the event very seriously. The UK will be represented by a junior Treasury minister rather than the chancellor.

Some unkind souls have suggested that ministers opted for New York because the cheap dollar and a less than rigorous agenda would enable them to catch up on their shopping and the latest Broadway shows.

But the Commonwealth Secretariat begs to differ. It says New York is an ideal venue because it is an important global financial centre and a large part of the ministers' discussions this year will be about encouraging non-government finance into developing countries. Sounds a limp sort of excuse.

Other people's continents to raise much needed D-Marks. On closer reading, a newspaper advertisement, complete with Stars and Stripes flag, turns out to be soliciting for a tender for an old cotton-milling settlement on the river Zwickauer Mulde in Saxony.

The east German privatisation agency, only empowered to sell off small concerns that belonged to now-defunct state companies, suggests international investors might care to develop a "leisure time and adventure town" out of the abandoned 19th century mills. Euro-Disney, look out.

Take it away

The fast-food revolution moves on apace. Now, says Glen Terbeck, managing partner for food and packaged goods at Andersen Associates in Chicago, "When Mom shouts out 'Dinner', the kids grab their coats, and head for the car."

Expert advice

If Britain's big banks can cut their dividends and replace chief executives who fail to perform, why can't the City's blue chip merchant banks?

When it comes to dishing out expensive corporate advice, the merchant banks are in their element. But when it comes to running their own business their record is pretty unimpressive. Arthurton Latham has gone. Brown Shipley all but disappeared from sight the other day, and several other well known names haven't been heard of for some time.

Over the past 30 years it is hard to find a sector of the FT-Actuaries index that has performed worse than the so-called expert merchant banks.



"Meanwhile, Norman Lamont's in Elizabeth"

Today's interim results from the grand old house of Klenow Benson are unlikely to make happy reading. The company has paid an uncovered dividend for three out of the last four years, and BEW estimates that it will do the same this year. It should have cut its dividend before now, and if it was an industrial company its recent performance would argue for a change at the top. Why do customers take merchant bankers so seriously?

Self-absorbed

Birmingham City Council has decided, yet again, that it needs a new identity. This time the second city fathers have hired Vincent Hanna, the chubby television journalist, at a cost of £20,000, to chase this elusive goal.

So, over the past six weeks, Hanna has been looking at the communications emanating from the City Council - £33m worth a year. He found £2m of savings by slandering down here and centralising there, all in the interest of getting value for money.

It looks, though, as if the first sign of the new corporate identity, Hanna-style, will be a new logo to replace the red, white and blue V sign, criticised for being masculine, racist and sexist. Given the Council's predilection for plastering the logo everywhere, replacing it should happily absorb the £2m Hanna saves.

Bankers balked

Sharp-eyed readers of Banking World may have noticed a slight change in the recent full-page colour advertisements for prints of Classic Yachts of the World. The late Robert Maxwell's floating gin palace, Lady Ghislaine, features in them both.

However, the latest version no longer highlights the bankers' special discount on a Lady Ghislaine print signed by Maxwell's skipper, Gus Rankin. It appears that some office wallah inside Banking World, the official journal of The Chartered Institute of Bankers, felt his masters might not be too pleased by yet another reminder of how much money has been sunk into the Maxwell empire.

Motto of the above tale: don't make fun of bankers, even when you are paying them.

Heidi Hi

As might be expected, Zurich's media gnomes are digging feverishly into all aspects of the mysterious case of Ms Alexandra Cantenbain, the 44-year-old member of the "I am" religious sect who married the 73-year-old chairman of the Lindt & Sprüngli chocolate empire. According to one newspaper report yesterday, Frau Cantenbain was a waitress until she was 36 and her real name is Heidi.

Building on frail foundations

Andrew Taylor on the prospects for Britain's construction sector

Workers on British building sites are required to wear hard hats to protect themselves from objects falling from great heights. Such apparel might also be appropriate for shareholders of UK construction companies, which have seen the value of their investments plummet during the past three years.

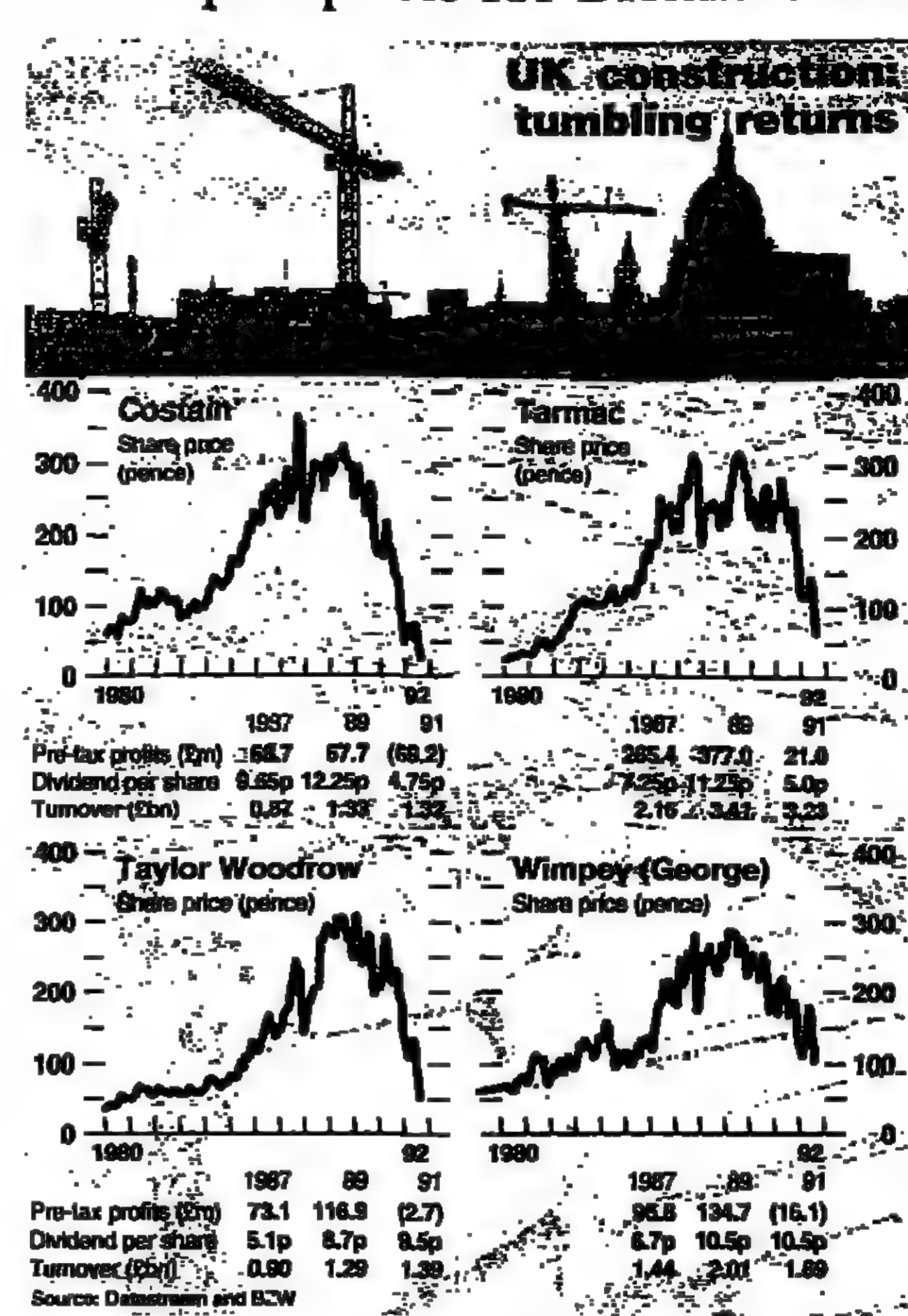
The only thing that has fallen further and faster than contractors' share prices is their profits. Many companies have been forced to cut or miss dividends as their earnings have slumped.

Construction shares, based on the most recent earnings of the 26 companies within the FT-Actuaries Construction Index, are trading on a historic price/earnings (p/e) ratio of almost 40. The average for UK industry as a whole is just over 14. This suggests that either construction shares remain overvalued, in spite of the big falls in prices that already have occurred, or earnings have to recover much more sharply than the market average in the next few years to justify such a high rating.

It is hard to see where such a recovery might come from. In particular, the economic conditions that allowed the industry to bounce back in the past may not recur.

A large slice of the construction profits reported in the late 1980s came from inflationary increases of more than 30 per cent a year in land and property prices. But some senior industry executives believe that the high real interest rates and monetary disciplines imposed by membership of the European exchange rate mechanism (ERM) mean that UK housing and commercial property profits may never be the same again.

For the foreseeable future, the outlook for property prices, and hence profits, is bleak. House prices in southern and eastern England are on average 25 per cent to 30 per cent lower than their peak in 1989-90. Most construction companies do not expect house prices to show any real increase until 1994 at the earliest. Commercial property prices have collapsed in similar fashion, and may take even longer to recover given the overbuilding of offices which took place in the 1980s.



Profit margins on UK contracting, meanwhile, have all but disappeared. Construction companies, desperate for cash in the form of advance payments, are taking work which does no more than cover overheads or may even incur a loss. Prices charged by contractors for construction work have fallen by up to 30 per cent since 1989, according to a survey of contractors, customers and building professionals conducted by the Financial Times.

The fall in prices has as much to do with overcapacity in the industry as a decline in workload which in volume terms is no lower than it was in 1986-87. At the time, these were regarded as reasonable years for the construction industry.

The sector, with an estimated 200,000 companies sharing a combined annual turnover of about £40bn, would appear ripe for rationalisation. Already large numbers of small to medium-sized contractors, including some public companies, have failed. More closures, and possibly some takeovers, seem inevitable.

Syspas, a London-based firm of corporate analysts, calculates that 65 per cent of building companies quoted on the London Stock Exchange face at least a one-in-three chance of failing or being forced into a rescue package such as a merger or large-scale restructuring.

Similar gloom is expressed by the Building Employers Confederation, the industry's largest trade association. It has warned that a further 40,000 construction jobs are likely to disappear by Christmas, taking the total jobs lost since the summer of 1989 to more than 300,000.

Judging by the increasingly depressing output forecasts from the industry, it is going to be some time before prices start to rise again, leaving margins under ever-increasing pressure. All this points to a further round of dividend cuts later this year.

Faced with such pressures on revenues and in a bid to

reduce borrowings, larger companies such as Costain, Tarmac, Taylor Woodrow and Wimpey have been selling peripheral businesses acquired in better times to offset the cyclical swings in the industry and property markets.

Costain, which made a £69.2m pre-tax loss last year and passed its final dividend, recently announced plans to sell a stake in its profitable Australian mining business.

Wimpey has raised more than £300m from the disposal of properties, waste management and offshore engineering businesses. Tarmac has raised almost £100m from the sale of its UK bitumen-producing oil refinery operations and its California contracting and aggregate operations. It has also put its UK waste management business up for sale.

Such disposals will, however, provide little comfort to those who purchased construction shares during the late 1980s and have seen the value of their investments already fall by almost 90 per cent.

Shares in Costain, one of the great names of British contracting, have fallen by 88 per cent since March 1990, from 230p to just 26p at last night's close, reducing the company's market capitalisation from £505m to £62m. The last time Costain's shares were this low was at the end of 1976. At their peak in August 1987 the company was valued at £240m.

Tarmac, Britain's biggest housebuilder, has also suffered on the stock market. It has seen the value of its shares fall by 83 per cent from a peak of 350p in May 1989 to 61p, valuing the company at £445m. Anybody bidding for Tarmac three years ago would have received little change from an offer of £3bn.

In the current financial year, the expected absence of large property write-downs which had such an adverse impact on last year's results should provide some relief. But this does not overcome the basic lack of operating profitability.

It is therefore difficult to see construction companies returning to the level of earnings or dividends that the stock market seems to expect. Some companies are likely to require intensive care for some time yet. Even when they recover, they may well find that life will never be the same again.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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BT should stage a strategic retreat

From Mr Michael Storey.
Sir, BT's chairman, Mr Iain Vallance, is a man of great stature. However, his stature will not be ennobled by confronting Ofcom over its market interventions ("BT chairman attacks watchdogs", July 31) while BT's market share remains at 95 per cent or thereabouts.

In common with BT, most investors in telecommunications service provision wish to evolve to a market structure in which price and quality, in its broadest sense, create a sufficiently competitive market for consumers' interests to be served without heavy regulatory intervention.

Conceptually, Ofcom should regulate itself out of existence, leaving it to the Office of Fair Trading, the Monopolies Commission, common law and consumer legislation to protect the interests of consumers and competitors. This must be a shared common goal.

Meanwhile, the reality is that BT has a 95 per cent market share and it seems to me that Iain Vallance can forge the relationship with Ofcom (and the rest of us) seeks when

Shareholders should be more vigilant, active and demanding

From Mr Donald B Butcher.
All shareholders will surely agree with Peter Morgan (Letters, July 31) that the objective of corporate governance is to ensure that companies "survive and thrive". But who does what about it when companies don't thrive and the directors' remuneration takes an ever increasing share of diminishing profit, value added or whatever measure you like to use. And let's be clear about it, there are many FTSE-100 companies in this category right now.

In the same issue, Lex ("ICI does the splits") points to one solution: "ICI's demerger plan is a splendid example of how a

supposedly hidebound management can be rendered nimble by a sense of threat." And now we have ProMed's survey of 491 directors adding damning evidence of the inadequacy of the present system. No less than 86 per cent of the directors surveyed were "dissatisfied with the amateur approach adopted by companies of appointing non-executive directors".

Peter Morgan himself has publicly called for "shareholders to see and understand the connection between directors' pay and performance". Every annual general meeting I have attended recently has had shareholders, who do not

understand the connection, seeking justification for hefty increases in directors' remuneration against poor performance. The answers are pathetically inadequate. The real reason, never referred to, arises out of the "non-executive director old boy network" (see ProMed survey).

Shareholders have to become more vigilant, more active and more demanding. United Kingdom Shareholders' Association intends to assist them in this process.

Donald B Butcher, United Kingdom Shareholders' Association, 12 Burgh Heath Road, Epsom, Surrey KT17 4LJ

CEOs not encouraged nor trained to lead

From Mr Robert Blood.
Sir, When Andrew Dyke (Letters, August 3) observes that chief executive officers may copy Roman generals with the team briefing but still lack their leadership skills, he touches a bigger issue: chief executive officers are neither encouraged to lead, nor trained in leadership.

There are many styles of leadership, but all strive for the same end - to get individuals to take personal risks to achieve goals that benefit others.

This is well understood in the military, where the risks are ultimate and the goal may be survival. In war, leadership demands courage, determination, vision and the ability to inspire. Management training - taught or experienced - gives us consensus, "managing upwards" and the golden parachute.

For any CEO or aspirant wanting to get back to basics, I recommend a text that I believe has yet to appear on Masters of Business Administration book lists. It is *Masks of Command* (Penguin Books), in which John Keegan, a Sandhurst lecturer and defence correspondent, analyses the

leadership of famous (and infamous) historical generals, from Alexander to Hitler.

After reading it, I defy any manager to think that addressing his or her staff once a week is leadership.

Robert Blood, Robert Blood Associates, The Hat Factory, 16-18 Holton Street, London W1V 3AD

Money made available to meter but not to manage

From Bo Henderson.
Sir, So Mr Michael Howard says that up to £3bn is estimated to be the cost of installing water meters in England and Wales ("Compulsory metering of water backed by minister for first time", July 31). Amazing the government can find such an amount to spend on installing water meters but not find any money to improve the way in which water is managed.

I note that he says the cost would ultimately have to be borne by the consumer and that the impact of metering "on poor families clearly needs attention". Presumably, by his latter statement, Mr Howard has the poor homeowner firmly fixed in his mind.

Bo Henderson, 30 Chatham Hill, Chatham, Kent ME4 4JE

Eagle eye

Should George Bush be told? Germany's Treasand agency has put "Amerika" up for sale. This is not, it turns out, the resurgent eagle selling off

RIVALS

1949	ON
1960	ON
1978	ON
1979	ON
1984	ON
1985	ON
1987	ON
1988	ON
1989	ON

schedule!

Commonwealth Market

Somalia's children die quietly

A nation collapses and a people starve, reports Julian Ozzane

IN the hot and dusty streets of one of Somalia's war-torn towns, skeletal children close to death feed on grass, roots and the boiled skins and bones of camels.

Some of the most appalling suffering in Somalia's war-torn towns, where 4.5m people are in need of food aid, is unfolding in isolated places such as Bardere - a rubble strewn town on the Juba river.

It is towns such as this which must receive supplies by air if a massive disaster is to be averted. Ten days ago, the United Nations Security Council sanctioned an airlift, but so far it has not taken place.

Like many towns across Somalia, Bardere, 400km west of Mogadishu, the capital, has been almost completely looted and destroyed by marauding soldiers who ripped roofs, doors and windows off the houses and left the people to starve.

Hundreds of people, mostly children under five years old, are dying in Bardere, far from the gaze of the world's media or the reach of aid agencies. With no deliveries of emergency drugs or supplementary and intensive feeding materials the famine tragedy in Bardere is mostly a hidden one.

There are no feeding centres yet and therefore no mass concentration of the hungry and the dying. Instead children are dying off in the bombed out and pillaged houses of the town and are buried quietly in shallow graves.

Aid workers estimate that 80 per cent of Bardere's children

under five years old are severely malnourished and that anywhere between 15 and 30 people, mostly children, are dying in the town every day.

If their figures are correct, that would give Bardere one of the highest rates of death by starvation per population in the entire country.

Human skeletons not yet buried mix with the bones and carcasses of donkeys and cows in the dusty streets of the town.

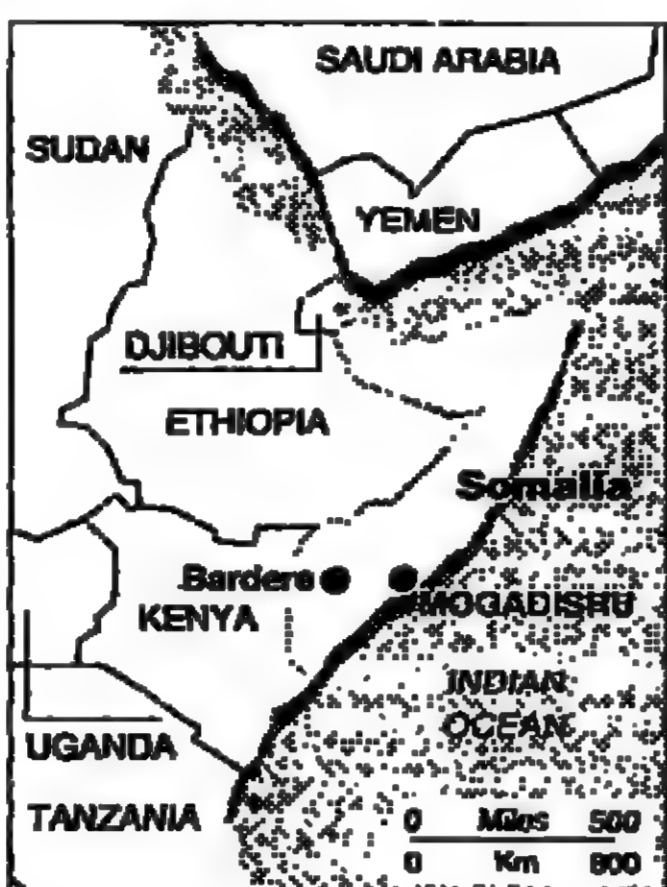
Outside Bardere itself a further 25,000 to 35,000 people are in an even worse condition, close to death after dissolute bands of gunmen looted their livestock and left them without any food or sufficient energy to stagger into the town.

"The ones we see walking here are much better off," said Brigitte Doppler of the medical charity Medicus sans Frontières.

"In these situations many more people just don't have the strength to walk and are dying in their homes."

In Bardere market there is some camel meat, cigarettes and salt. But there is no maize or millet or anything to stave off the worst signs of malnutrition. Fresh leafy millet stalks are sold in bundles to the hungry who can still afford to buy food. Most cannot.

Hundreds of emaciated people carrying sacks and looking desperately for food poured into the disused hospital yesterday as aid workers brought the first drugs in to the town in a twin-engine aircraft.



The starving Somalis were disappointed and angry that Europeans had come to the town again without bringing food.

For the past 20 months, Somalia's civil war has disrupted agriculture and forced hundreds of thousands of people to flee their homelands.

Many have reached Mogadishu after a long trek, but many more have died along the way.

In recent days, international aid agencies have stepped up their calls for a huge import of aid to Somalia, saying the shattered African nation is a hell on earth of famine and war that claims hundreds of victims every day.

The Save the Children Fund, one of only a handful of aid organisations working in Somalia, said the humanitarian crisis there made the Ethiopian famine

of the 1980s look like "small beer", describing it as far worse than the mayhem in former Yugoslavia.

The SCF has highlighted security problems in Somalia as a reason for the wariness of the international community to become involved in relief operations, but the organisation said that unless the supplies were increased, food would continue to be a commodity worth fighting for.

"People say there can't be food without security, but there will be no security until there is food," said Mr Don Redding, who witnessed the problems in Somalia at first hand during a trip there last April.

Amnesty International yesterday described Somalia as a human rights disaster. It called on Somalia to stop fighting and the rest of the world to help relieve the suffering.

The International Committee of the Red Cross has warned that up to 1.5m people could die in Somalia over the next few months.

Help may finally be close at hand, with Bardere's first airlift of food expected on Saturday. Unicef, the UN children's agency, is planning to fly in 16 tonnes of food, drugs and shelter material.

In the short run, that is bound to exacerbate the situation, as thousands of people head for the town once they hear food is there.

But in the continuing insecurity of Somalia a major airlift is now the only hope of averting a human catastrophe.

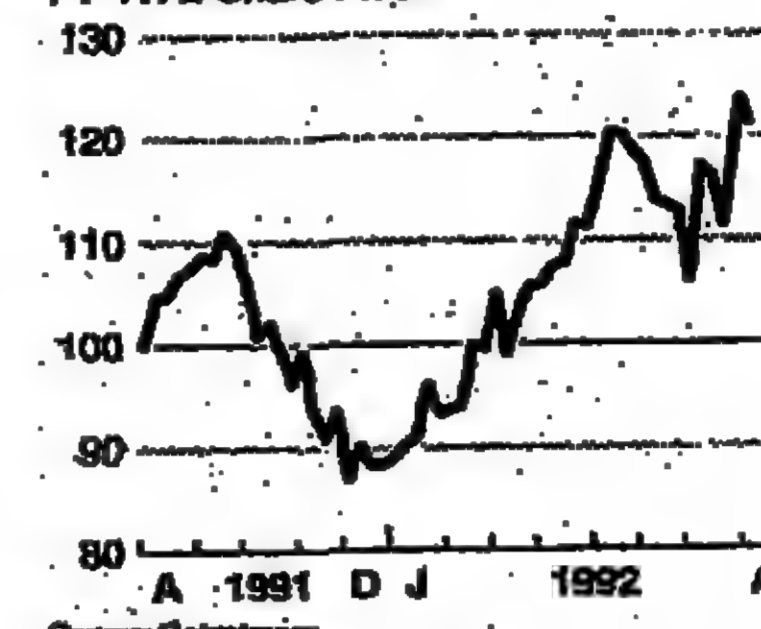
THE LEX COLUMN

Savings grace

FT-SE Index: 2392.8 (-14.7)

GKN

Share price relative to the FT-A All-Share Index



Source: Citicorp

ing car models, notably the new Audi 30. So it should be able to increase its market share. With a proven ability to improve productivity, the company should also be able to cope with cut-throat pricing of components. The same cannot be said of others.

But much of this has been reflected in the rise of the shares since the turn of the year. GKN's yield, relative to the market, stands near a 10-year low, presumably on expectations the company can avoid a dividend cut in the toughest of conditions. Yet given the low level of cover, and the poor economic outlook, it will be 1994-95 before there is any realistic prospect of a dividend increase. That limits prospects for the shares. If its good performance continues, the company may eventually deserve a lower yield premium to the market. But that time has not yet arrived.

This said, it is curious that the government - given its own pressing financial needs - should have rolled over so easily a second time. Desperation to avoid an increase in the mortgage rate is understandable - but then the societies would surely have thought long and hard about a course of action which would also jeopardise the quality of their own lending. On the face of it, they are still making tidy profits and are better capitalised than they were four years ago.

Smith & Nephew

Smith & Nephew has promised much over the past two years but somehow failed to deliver. A string of acquisitions in high-growth healthcare leaves it poised for earnings recovery, but this has been the story since 1990. Yesterday's interim figures are respectable, but real earnings growth is as elusive as ever.

There are plenty of reasons to remain cautious, even assuming a cyclical revival in demand for premium sun-cream and moisture lotion improves the dire performance of the consumer products side. With 40 per cent of sales now in the US, the weakness of the dollar will hit earnings in the second half and possibly beyond. The tax charge rose to 29 per cent this

GKN

It would be churlish to describe GKN's results as anything but good. Strong control of costs has helped the management overcome flat market conditions, and the profits increase exceeded most expectations. There are more good things in the pipeline. The full benefit of staff reductions will come through in the second half, helping earnings even without a pick-up in the world economy.

Beyond that, the company has succeeded in getting its drivelines designated as components on some promis-

French support for Maastricht treaty slips

By Alice Rawsthorn in Paris

THE FRENCH government announced the dates of the official campaign for next month's referendum on the Maastricht treaty yesterday as the latest poll showed a slightly smaller majority - of 56 per cent - planning to vote yes.

The Paris stock market rose by 1 per cent before the poll results were unveiled, as rumours that it showed a majority for Maastricht dispelled fears of a negative result.

But shares faltered in the afternoon to close only slightly higher on the day, with the CAC 40 index up 0.58 per cent at 1,798.

The poll, conducted by the BVA research consultancy for today's edition of Paris-Match magazine, showed that, of those who had decided to take part, 56 per cent would vote for the treaty and 44 per cent against.

The result marks a new low in support for European union less than seven weeks before the September 20 referendum, which is seen elsewhere in Europe as being a decisive test of public opinion.

The poll confirms a steady decline in support, following an IFOF poll in Tuesday's Liberation newspaper which indicated that 57 per cent of the French planned to vote yes and 43 per cent no, compared with 62 per cent in favour a month ago.

Most of the French have already taken a final decision as to which way to vote, according to the Paris-Match poll, with 69 per cent claiming to have "definitely" decided.

The French government will continue to run its press and poster advertising campaign in favour of Maastricht until Monday. A number of celebrity socialist sympathisers, including Mr Johnny Hallyday, the veteran pop star, have promised to campaign in favour of a yes vote.

Mr Paul Quilès, minister of the Interior, yesterday announced that all commercially funded campaigns must stop at the end of this month.

The official political campaigning will run from September 7 to 19 with television and radio airtime allocated to each political party according to their number of deputies and senators.



Field of vision: Ethnic Serb soldiers use the cover of a sunflower field as a vantage point from which to observe Croatian-Muslim positions near Konjic in eastern Bosnia yesterday

UN threatens to quit Sarajevo

Continued from Page 1

camps in northern Bosnia, which are reported to include civilian prisoners.

"We are not commenting on the conditions there... but we have reason to fear the worst, since people started with serious violations of humanitarian laws right from the beginning of the conflict," she said.

Ms Hushagen added that the ICRC expected to visit those camps early next week after

negotiations yesterday with Serb leaders from Banja Luka, the centre of the self-proclaimed Serb Republic of Bosnia.

French president François Mitterrand demanded that all detention camps be opened for inspection and humanitarian convoys protected.

In New York, the UN Security Council was last night preparing to expand its peacekeeping operations in Croatia, which for the first time will include border controls. UN immigration and

customs officers, supported by police and guards, would have the task of curbing "ethnic cleansing" in Serb-dominated areas and preventing the spillover of fighting from Bosnia-Herzegovina.

A report by Mr Boutros Boutros Ghali, the UN secretary-general, says that Serbs in UN-protected enclaves in Croatia are aiding the war in Bosnia, terrorising non-Serbs and resettling refugees from other parts of both republics.

Japan's surplus climbs to record

Continued from Page 1

tion to the Gulf war effort, but the Japanese government is slowly accepting that the turnaround in the domestic economy is the main cause of the consistently large surpluses this year.

The Finance Ministry said the seasonally adjusted surplus for June was \$8.4bn, down from \$10.9bn in May. However, preliminary trade statistics for July suggest the trade and current account surpluses will top \$10bn again for the month.

Japan's current account surplus had fallen from \$87bn in 1987 to \$35.8bn in 1990, leading the government to believe that trade friction would also be reduced. But the surplus jumped to \$72.9bn last year and is on

course to exceed \$100bn this year. Balance of payments details showed net Japanese purchases of foreign securities at \$4.8bn in June, against \$2.3bn in May, while foreigners' net sales of Japanese securities were \$2.3bn, compared with net purchases of \$75m in May.

For the six months, the long-term capital account showed a net inflow of \$550m, down 82 per cent from the same period last year, mainly due to a slowing of foreign purchases of Japanese stocks. In May, foreigners' net purchases of stocks were \$837m, although net sales in June were \$1.95bn, as the Tokyo market continued to fall.

The basic balance of payments in the first six months had a surplus of \$66.8bn, against \$32.5bn in

the same period last year, while the overall balance showed a surplus of \$58.8bn, up sharply from \$7.5bn last year.

Japan's trade mix has not remained the same and instead of exporting whole products, new factories abroad are consuming Japanese components. East Asia has replaced North America as Japan's most important market.

Last week, talks between the US and Japan focused on the trade surplus and structural impediments to trade. After the two-day meeting, US negotiators, under orders from Washington, were determined to portray the Structural Impediments Initiative agreement as successful in treating the underlying causes of Japan's consistently large trade surplus.

Is now the time to make your move?

On Saturday, the FT looks at the housing crisis and assesses whether now, with prices so low, is the right time to buy. Should you stay or should you go?

Government bonds, Page 17
World stocks, Back Page
Section II

World Weather		°C °F		°C °F		°C °F		°C °F		°C °F		°C °F	
		Boutouge	S	21	70	Frankfurt	S	25	77	Moscow	S	22	72
		Buenos Aires	S	24	75	Geneva	S	26	79	Malaga	S	32	90
		Brussels	S	24	75	Glasgow	S	17	63	Manila	S	33	91
		Bombay	S	29	84	Helsinki	S	19	66	Mexico City	S	22	72
		Cairo	S	31	88	Hong Kong	S	28	82	Nassau	S	26	79
		Cas Town	S	18	64	Interbrook	S	26	79	Nairobi	S	23	73
		Cebu	S	30	86	Inverness	S	10	50	Paris	S	27	81
		Copenhagen	S	26	79	Jakarta	R	32	90	Prague	S	25	77
		Dallas	F	16	61	Johannesburg	S	16	61	Reykjavik	S	13	55
		Dublin	S	16	61	London	C	21	70	Rome	S	28	82
		Los Angeles	S	21	70	Manila	S	30	86	Sao Paulo	S	27	81
		Madrid	S	24	75	Montreal	F	15	59	Seoul	S	27	81
		Melbourne	S	15	59	Munich	S	25	77	Singapore	S	29	84
		Moscow	S	22	72	Nassau	S	26	79	Stockholm	S	20	68
		Nairobi	S	23	73	New Delhi	S	30	86	Sydney	S	27	81
		Paris	S	27	81	New York	S	21	70	Taipei	S	33	91
		Prague	S	25	77	Niagara	S	23	73	Tokyo	S	29	84
		Reykjavik	S	13	55	Osaka	S	28	82	Yokohama	S	29	84
		Rome	S	28	82	Seoul	S	27	81				
		Sao Paulo	S	27	81	Singapore	S	32	90	Temperatures at midday yesterday			
		Seoul	S	27	81	Stockholm	S	20	68	1 Moon GMT temperatures			
		Singapore	S	29	84	Sydney	S	27	81	C - Cloudy D - Drizzle			
		Stockholm	S	20	68	Taipei	S	33	91	F - Fair V - Very			
		Sydney	S	27	81	Tokyo	S	29	84	S - Sunny			
		Taipei	S	33	91	Yokohama	S	29	84	Sh - Rain S - Sunny			
		Tokyo	S	29	84					St - Storm Sn - Snow			

Temperatures at midday yesterday
°C - Goodly Dr - Drizzle
°F - Fair Fz - Fog H - Hall
R - Rain S - Snow
T - Thunder

INTERNATIONAL COMPANIES AND FINANCE

Prima asks for debt moratorium

By Peter Bruce in Madrid

PRIMA inmobiliaria, the big Spanish property developer controlled by the Kuwait Investment Office (KIO), yesterday asked more than 60 creditor banks for a two-month moratorium on repayment of bank debt estimated to be worth almost \$500m.

The banks, called to a meeting in Madrid by the KIO, which controls more than 30 per cent of Prima, are due to respond today. More than half the bank debt is guaranteed against properties owned by Prima. This makes it unlikely that the group will file for protection from its creditors as the big KIO-controlled chemicals group, Ercros, did last month when the Kuwaiti agency refused to continue funding it.

The meeting nonetheless increases the sense of crisis surrounding the large industrial empire built up in Spain by the KIO in the second half of the 1980s.

It seems likely that banks unable to recoup loans from Ercros will balk at helping Prima unless the KIO is able to offer them some form of assurance that their exposure in Ercros will be covered.

The KIO has moved quickly to shake up its Spanish empire and to distance itself from the long-term investment strategy followed by former managers. By ordering new audits of its Spanish holding company, Torras, and valuing the assets at market value and not, as previously had been the case, at purchase price or inflated book values, the KIO claims to have

uncovered financing shortfalls of up to \$3bn in its Spanish investments.

Spanish bankers have been irritated at what appears to be a decision to change the KIO's investment strategy in Spain from the long to the short term and the refusal of the Kuwaitis to meet obligations entered into by their predecessors.

The new KIO management seems determined to distance itself from strategies followed by earlier KIO leaders and may slowly be gaining the upper hand by simply refusing to fund assets beyond the scope of their own participation in them. While many attractive Prima properties would go to banks if the company defaulted, the property market in Spain is weakening rapidly. Prima's difficulties are

largely tied to the collapse of the Spanish and international property markets but the evident lack of enthusiasm in the new KIO management to fund it through these problems has contributed to a sharp decline in its share price in the last two months.

Its condition also affects holders of a £100m Eurobond launched by Torras in 1988. This bond is partly convertible into Prima stock, and is in technical default because of the receivership at Ercros. None of the bond holders has yet asked its trustees to declare a default but the collapse of Prima shares makes it highly unlikely it will be held for long. Contrary to earlier reports, the National Bank of Kuwait does not hold any of the bonds.

French insurers continue expansion

By Alice Rawsthorn in Paris

THE leading French insurance groups are accelerating their international expansion with Union des Assurances de Paris (UAP) agreeing terms to invest in CAP, one of Chile's largest insurers, and Axa increasing its Asian interests in a FF165m (\$32.35m) deal with Sime Darby of Malaysia.

UAP, the state-controlled company which is the biggest single force in French insurance, has struck a cross-shareholding agreement with CAP. The French group's Chilean subsidiary will take 51 per cent of La Austral, a life insurance business formerly wholly-owned by CAP, and 35 per cent of El Libertador, one of CAP's pension fund management companies.

CAP, which has industrial activities in steel and timber, will take a minority stake in UAP's Chilean company. UAP has interests in Brazil, Uruguay and Argentina.

The CAP deal comes at a time when UAP is trying to expand its European network. The group has for some months been locked in negotiations with Suez, one of France's largest industrial holding companies, over another proposed cross-shareholding deal whereby UAP would swap part of its stake in Victoire, a smaller French insurer, for a share of the latter's holding in Colonia, a German insurance company.

Meanwhile, Axa, the private sector company which is France's second-largest insurer, has concluded its second investment in Asia by agreeing terms to take stakes in two companies owned by Sime Darby, a prominent Malaysian insurance group.

Axa is paying FF165m for 50 per cent of Sime Shield in Singapore and 30 per cent of Sime East West in Malaysia.

Axa, which four years ago made its first foray into Asia by setting up a reinsurance subsidiary in Singapore, said it saw the Sime Darby deal as a precursor to further investment in the region.

Lindt executive quits as marriage wrangle deepens

By Ian Rodger in Zurich

THE CHIEF executive of Lindt & Sprüngli, the Swiss fine chocolate makers, has resigned two days after the 72-year-old chairman, Mr Rudolph Sprüngli, announced his marriage to a 44-year-old member of an obscure religious sect.

The resignation puts a serious twist on a story which has in recent days brought some levity to a depressed summer in Zurich, sparking speculation about the family-controlled group's future.

Mr Ulrich Geismann is the latest in a long line of executives to fall out with Mr Sprüngli, who has led the secretive company for 30 years.

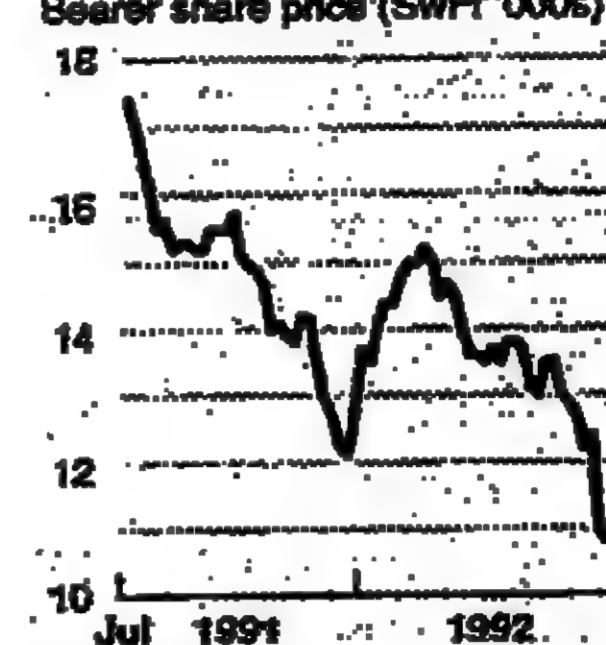
A joint statement said only that the respected former executive with the Migros retail group would leave tomorrow "by mutual agreement".

Zurich analysts suggested that the marriage was the last straw for Mr Geismann, who was appointed in June 1991 with a mandate to cut costs and update the group's slightly dowdy product range.

They said he had been given assurances that, unlike his four predecessors in the previ-

Lindt & Sprüngli

Bearer share price (SwFr '000s)



Source: Datastream

ous six years, he would not be faced with constant interference from the chairman.

However, last spring it became known that Mr Sprüngli had divorced his wife and become engaged to Ms Alexandra Gantenbein, a sometime member of an obscure religious sect called "I am".

Simultaneously, allegations surfaced that Ms Gantenbein, who was not employed by the group, had improper influence on its executive appointments. Mr Sprüngli promptly called off the engagement and appointed accountants KPMG

Fides to investigate.

Last Thursday, the group published the results of the investigation, claiming that they showed that all was well. But one sentence quoted from the report suggested otherwise. "Mrs A. Gantenbein, occasional member of the 'I am' movement, gained some importance and influence in decisions over top manager positions," it said.

On Monday afternoon, the couple's marriage was announced, and by last night Sprüngli shares had lost one-tenth of their value.

The departure of Mr Geismann creates a serious problem. No one of any stature will want to replace him under the present leadership, said Mr René Weber, analyst at Bank Vontobel in Zurich.

Exact details of how the family controls the group are unclear, but its total holdings have slightly less than half the voting rights and are split mainly between Mr Sprüngli and his ex-wife.

The three Sprüngli children are set to inherit the business, but that could change, analysts said.

Observer, Page 11

GKN beats forecasts with 37% increase

By Kevin Dones, Motor Industry Correspondent

GKN, the UK automotive components, engineering and industrial services group, increased its pre-tax profits by 37 per cent in the first six months of the year to £55.1m (\$124.34m) from £47.5m in the same period a year ago.

The performance exceeded market forecasts. However, GKN's share price fell 12p to close at 383p as Sir David Lees, chairman, warned of little improvement in its markets in the next few months.

GKN's profits rise follows a 26 per cent increase in profits earlier this week of BBA, the UK automotive, aviation and industrial components maker.

GKN turnover rose only 1.2 per cent to £1.258bn.

Higher demand in automotive markets in continental Europe and North America was offset by weakness of the construction sectors in the UK, Australia and California.

The GKN balance sheet remains strong, and the group had a positive cash flow in the first six months with net interest charges cut to £11.9m from £16m a year ago.

It is maintaining an unchanged interim dividend of 8p. Earnings per share jumped to 10.9p from 7.6p in the first half of 1991.

Sir David said the group expected little improvement in demand in its main markets in the next few months.

"Profit improvement must come from increases in market share and continued rigorous attention to costs and asset management," he said. The workforce has fallen 7.5 per cent in the past 18 months.

Profits from GKN's car components businesses were boosted by higher volumes, cost reductions and improved efficiency. Higher volumes were achieved in particular in continental Europe and North America.

Its motor components sales outperformed the market in North America, helped by a favourable model mix and orders from Mazda, Ford and Nissan.

In Europe, GKN has taken over the supply of drive-line

products to the Volkswagen group for the Audi 80. The company's sales have also been lifted by a favourable model mix as it supplies components to some of the most successful cars launched recently in Europe.

GKN will also supply Toyota, Honda and Nissan, the three Japanese carmakers developing assembly plants in the UK.

GKN said it had gained new contracts in May and June from US vehicle makers which would come on stream from 1993 to 1995. The volume of vehicle drive line component sets to be delivered in North America will increase from 1.7m in 1991 to 2.1m this year and to more than 3m in 1995-96. Lex, Page 12

Uni Storebrand shareholders split over board

By Karen Fossil in Oslo

SHAREHOLDERS in Uni Storebrand, the Norwegian insurer, are split over whether to endorse a proposal for a new board of directors which will be voted on at an extraordinary meeting of the board of representatives on August 10.

UNI's board of representatives is comprised 50 per cent of company employees and 50 per cent of shareholders, repre-

senting some 60 per cent of the company's share capital. Mr Martin Imbach, representing Geneva-based CB Capital Bank, Uni's third biggest shareholder with a 4.28 per cent stake, has complained that the proposed board includes only two new people.

Uni's board of directors and Mr Jan Erik Langangen, president and chief executive, resigned at the end of last month. This followed the

board's failure to gain full backing from shareholders for a share issue this autumn to raise up to Nkr2bn (\$343m) in fresh capital.

Shareholders had become disillusioned by Mr Langangen's failed strategy to create a pan Nordic insurance alliance and the Nkr4.7bn investment to acquire a 28.3 per cent stake in Skandia Forsikrings.

Mr Helge Dietrichsen, a Uni Storebrand spokesman, said

yesterday that although the board of representatives could "technically" reject the proposal, it was unlikely to do so because several leading shareholders had endorsed the proposal before it was publicly announced. Mr Imbach said that Mr Anders Echhoff, an Oslo attorney who was offered the post as chairman, works in the same law firm as the head of the nominating committee, which put his name forward.

New head named at Saab Automobile

By Robert Taylor in Stockholm

SAAB Automobile, the car company jointly owned by Saab-Scania and General Motors of the US, yesterday announced the appointment of Mr Keith Butler-Wheelhouse as chief executive.

He will take up his position on September 1 in succession to Mr David Herman, who became chief executive at Adam Opel, GM's German subsidiary, last month after two-and-a-half years running Saab Automobile from its formation in January 1990.

Mr Butler-Wheelhouse, 46, is a British citizen. He worked for Ford in South Africa from 1965 and became the company's sales and marketing director in

1982. Three years later he moved to GM South Africa as director of technical operations.

He was appointed managing director of Delta in November 1987 after GM sold its shareholding in the company.

Mr Butler-Wheelhouse will have the difficult task of leading Saab Automobile into viability.

Under Mr Herman, a comprehensive rationalisation programme was carried out in the company which brought a sharp decrease in its financial losses to SKr293m (\$54.4m) for the first quarter of the year.

It also doubled productivity performance as well as bringing about a sales upturn in the all-important and difficult US car market.

Austrian carrier sees losses more than double

By Ian Rodger

AUSTRIAN Airlines' losses more than doubled to Sch51.7m (\$23.6m) in the first half in spite of a sharp increase in traffic volume. But Mr Anton Heschel, president of the majority state-owned carrier, forecast that it would make a profit in the full year and pay "a reasonable dividend".

The airline blamed the sluggish economic performance in its main markets plus "the tariff situation" for the loss, which compares with a loss of ASch107.1m in the same period of last year. The company decided to draw down Sch125.6m from valuation reserves, thus reducing the loss to Sch126.1m.

All of these securities having been sold, this announcement appears as a matter of record only.

Global Offering

July 1992

U.S. \$1,000,000,000
American Express Master TrustAmerican Express Receivables Financing Corporation
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6.05% Class A Accounts Receivable
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Price 99.620%

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CS First Boston Group

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Morgan Stanley & Co. Incorporated	NationsBanc Capital Markets, Inc.		Nomura International
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Notice to holders of Floating Rate Credit Card Receivable-backed Certificates ("FRCs") issued pursuant to the Series 1991-2 Supplement by the SFA Master Trust.

NOTICE IS HEREBY GIVEN that the Series 1991-2 Supplement has been amended to allow the obligations of SFA Bank Corporation, a credit enhancement provider for the FRCs, to be replaced, down or collateralized, in accordance with the terms of the amendment, if SFA Bank's rating by Moody's Investors Service becomes inconsistent with the "Aa" rating of the FRCs.

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By: SFA Trust Company
as Trustee
Dated: August 6, 1992

U.S. \$53,000,000

Banco Internacional S.N.C.

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In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 6th August, 1992 to 6th February, 1993 the Rate of Interest has been fixed at 4.375% p.a. and the Interest Amount payable on the relevant Interest Period Date 6th February, 1993 in respect of each U.S. \$100,000 nominal amount of the Notes will be U.S. \$2,260.42.

Reference Agent



First Interstate Capital Markets Limited

6th August, 1992

US Steel may build plant to rival mini-mills

By Martin Dickson
in New York

US STEEL, the largest integrated steel manufacturer in the US, is considering building a new steel plant to combat America's fast-growing steel mini-mills on their own ground.

If it went ahead, the investment would represent an important change of strategy which other integrated manufacturers would be likely to follow.

US Steel, a division of the USX steel and energy group, yesterday confirmed reports it was investigating the construction of a mini-mill as one of its business options.

However, the company said that while the issue remained "under active study", no specific proposals had been developed.

Mini-mill steel companies - small, non-union businesses using less capital-intensive technology than America's vertically integrated manufacturers - have captured more than 20 per cent of the US market during the past three decades and are now invading Big Steel's last bastion, the market for flat-rolled products.

Nucor, the most successful of the mini-mills, is producing millions of commodity grade flat rolled steel at a plant in Crawfordsville, Indiana, and is about to open a second plant, with similar capacity, at Hickman, Arkansas.

The plants use a new technology - thin slab casting - which saves time, energy and labour costs. It allows steel to be cast into two inch slabs and then rolled directly into coils.

However, some analysts question whether this technology can ever produce steel of sufficient quality for the more demanding markets.

The current method employed by Big Steel involves creating a slab nine to 12 inches thick, cooling it, transporting it to another site and then reheating the slab before it is rolled into coil.

US Steel, which previously considered and rejected the method being used by Nucor, may be mulling investment in another new technology, strip casting, which some analysts believe may produce steel of superior quality to the thin slab method.

Many analysts argue that the route US Steel is considering is the path other integrated steel companies will have to take if they are to beat back the challenge from the mini-mills, which may bring on 10m tons or more of flat-rolled capacity over the next decade.

However, the integrated companies will face delicate negotiations with the United Steelworkers union over the labour flexibility needed to compete successfully at new plants against the non-union mini-mills.

BP CANADA, the oil and gas producer formerly controlled by British Petroleum, has reported improved second-quarter profits and a strengthening balance sheet.

Net earnings from continuing operations totalled C\$3.7m (US\$3.13m), or 7 cents a share, up from C\$2.8m, or 5 cents, a year earlier. The latest figure excludes BP's mining assets, which are in the process of being sold.

Long-term debt has been cut in the past six months from C\$1.83m to C\$1.45m.

Mr David Clayton, chief executive, described the improvement to higher natural gas volumes, improved oil and gas prices, as well as a lower Canadian dollar.

Natural gas output in the first half of 1992 was 34 per cent higher than a year earlier, but oil and natural gas liquids production dropped by 4 per cent.

Britain's BP sold its 57 per

cent stake in BP Canada last June to a group of investors.

● Norcen Energy, the main oil and gas arm of the Bronfman interest of Toronto, reported a sharp decline in first-half profits, writes Robert Gibbons in Montreal.

The company saw profit for the period slide to C\$21.4m, or 28 cents a share, down 39 per cent from a year earlier. Revenues were C\$480m, a fall of 6 per cent.

Norcen, however, registered a strong improvement in the second quarter compared with a year earlier, boosted by higher oil production and prices.

Natural gas output was also up sharply, but prices weakened.

● Alberta Energy earned C\$23.3m, or 30 cents a share, in the first half, up from C\$6.7m, or 6 cents, a year earlier, on revenues of C\$275m, against C\$265m. Interest costs dropped sharply while oil and gas sales grew. The forest products side also improved.

Berlitz in talks over possible takeover

By Alan Friedman
in New York

BERLITZ, the language school subsidiary of the Maxwell Communication Corporation (MCC) that discovered a majority of its shares were pledged improperly last year to banks as collateral by the late Mr Robert Maxwell, said it was in talks with bidders interested in a possible takeover.

The Princeton-based Berlitz also unveiled its second-quarter net profit of \$2.9m, down from \$5.9m in the same period of last year. Revenues in the quarter were \$72.6m, up from \$66m a year ago.

For the first six months of 1992, Berlitz made \$7.3m net income, down from \$11.8m in the first half of 1991. Revenues for the first half of 1992 were 7.4 per cent improved at \$140.5m.

MCC is operating under Chapter 11 of US bankruptcy law in a complex transatlantic arrangement that requires co-ordination between New York and UK court-appointed administrators.

At present, most of the \$6.5 per cent Berlitz stake that was nominally owned by Macmillan - the US publisher that was itself owned by MCC - is actually in the hands of five banks and companies that received the stock as collateral for loans to Mr Maxwell.

Berlitz, however, said it no longer considered itself to be part of MCC.

Berlitz said it had retained Donaldson, Lufkin & Jenrette to advise it on a possible merger, but the company stressed no agreement had yet been reached.

The first was to take the company public. This was done in April 1985 when 17.5 per cent was sold with 15 per cent

Cathay keeps its long-term plans on course

Simon Holberton on the Hong Kong airline's preparations for Chinese rule in 1997

EARLY last month, the final piece of a jigsaw started in 1984 fell into place for Cathay Pacific, the Hong Kong airline owned by Swire Group.

A 10 per cent stake in the airline passed from Hongkong and Shanghai Bank to China National Aviation Corporation (CNAC) and China Travel Service (CTS), two mainland Chinese companies.

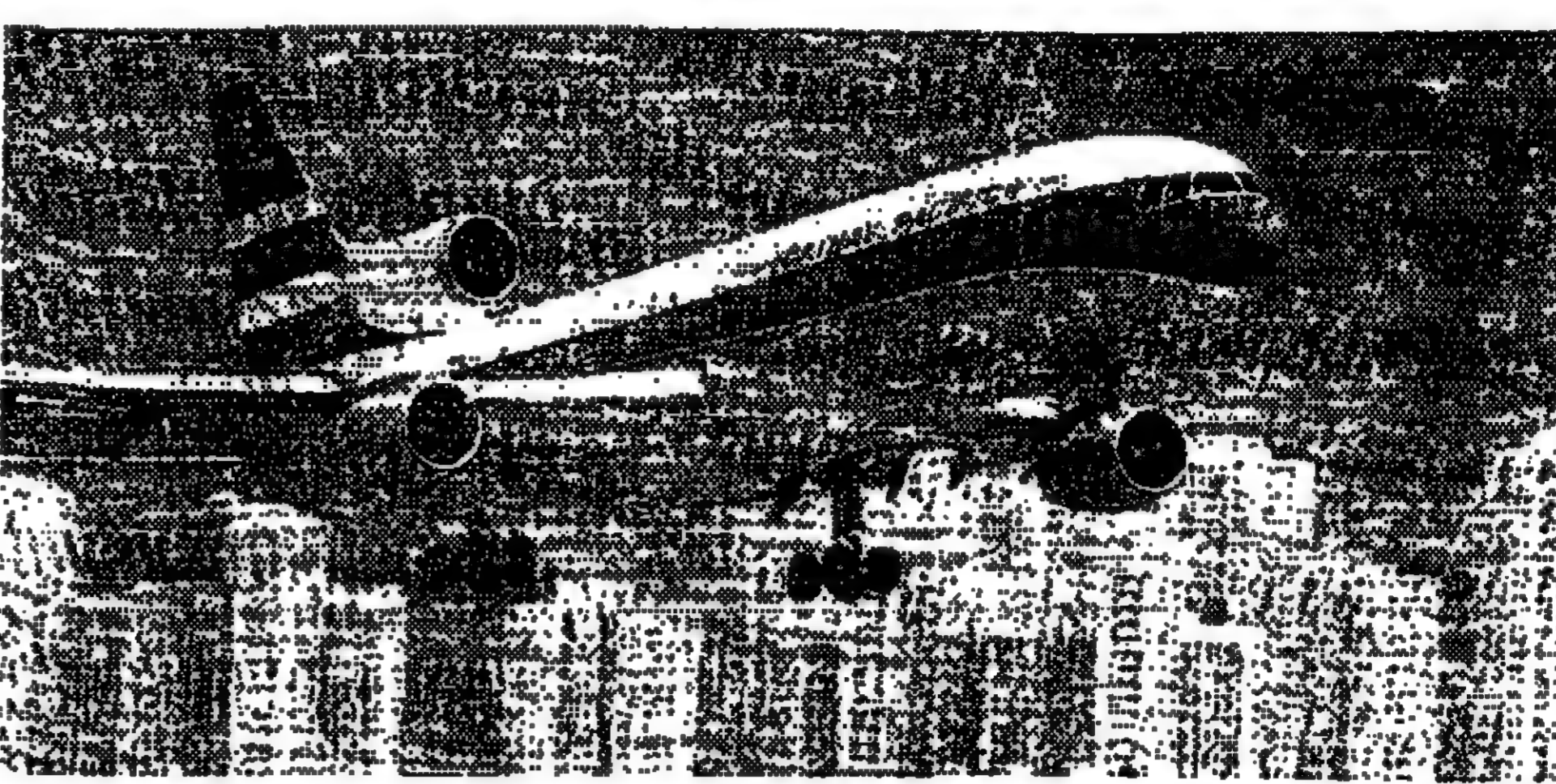
The deal marked the fruition of a nine-year plan to secure Cathay's future after 1997. This not only covered the airline's shareholding structure, but included since 1987 the way it manages its balance sheet, emphasising the maintenance of high levels of cash.

Senior Cathay executives believe this two-track policy will help dispel any concerns among investors and customers over the airline's future. If so, then Cathay should be well placed to take advantage of growth in the Asia-Pacific region, analysts say.

The region is forecast to show the most growth in air traffic. According to the International Air Transport Association (IATA) scheduled traffic in the Asia-Pacific region will grow from 25.2 per cent of the world's total in 1985 to 35.8 per cent in 1995 and more than 50 per cent by 2010.

In 1994, Britain and China signed the Joint Declaration on Hong Kong providing for the transfer of the colony to China on June 30 1997. At that time, Swire decided it could not continue to own Cathay outright and safeguard its future after 1997. Mr Peter Sutch, chairman, says: "We decided that the shareholding structure of the airline would have to change. Broadly, we had in mind three steps."

The first was to take the company public. This was done in April 1985 when 17.5 per cent was sold with 15 per cent



Cathay Pacific hopes its policies will have dispelled any concerns among investors and customers

started publicly. The other two steps required securing mainland Chinese investors. In 1987, China International Trust and Investment Corporation (CITIC) acquired 12.5 per cent through an issue of new shares and the purchase of stock from Hongkong Bank.

Arguably, the most important step was the third: securing a mainland shareholder with its own aviation interests. "We are now in a situation which we would broadly wish to see stay in place for the long term," says Mr Sutch. "We have no intention of changing what we have. I believe that what we've got in place meets the needs of 1997."

According to analysts, the biggest threat to Cathay is that after 1997 China will set up a competitor airline in Hong Kong. The company, however, hopes that, through the addition of CNAC and CTS to its share register, this possibility is ruled out.

Mr Sutch says: "If China is interested in capitalising on what Hong Kong has to offer, they can do it most effectively through the instrument of Cathay rather than through

starting from scratch themselves. Cathay is the best positioned to take advantage of Hong Kong."

He is also content with the second part of the defensive package: strong cash holdings. Gross cash at the end of 1991 totalled HK\$11.4bn (US\$1.47bn), roughly double the level in 1987, when the company decided to build its cash reserves.

Cathay wanted the protection that liquidity brings if banks shy from lending to airlines. "We wanted to be sure that in the event that Hong Kong set up the 'too-difficult-to-manage-China-risk-basket' then we would have the cash we needed for development," Mr Sutch says. "We've got a

'war chest', if you like, so that if the banks foreclose on airlines in Hong Kong then we can keep going."

However, these policies for securing the airline's future have only laid the foundations for the years ahead, building on them requires imagination. Since 1987, the cost of running Cathay has doubled but profits have not. Last year, it cost HK\$16.5bn to produce revenues of HK\$20.1bn. Although the airline is well-positioned geographically, its home base has a chronic inflation problem, with price rises likely to remain in the low double digits for the foreseeable future.

Although Cathay has achieved productivity growth of about 3.5 per cent a year since the late 1980s, Mr Sutch admits there remains a lot to do.

CATHAY FINANCIAL STATISTICS (HK\$m)					
	1987	1988	1989	1990	1991
Total revenues	11,709	15,008	17,278	19,818	20,935
Rev - non airline	365	401	427	493	808
Rev - airline	11,344	14,607	16,851	19,325	20,130
Airline costs	8,356	10,457	12,843	15,601	16,472
Airline operating profit	2,988	4,240	4,008	3,554	3,658
Airline margin	26%	29%	24%	19%	18%

Source: Annual reports

Travelers declines in quarter

By Karen Zagor in New York

TRAVELERS, the US consumer insurer, revealed that second-quarter underlying profits had slipped 23.7 per cent to \$74.8m from \$98m in the same period of last year.

An extraordinary gain in the 1992 quarter and a one-time charge a year earlier reduced the decline to 14.3 per cent, bringing reported net income to \$77.7m, or 70 cents a share, against \$80.7m, or 85 cents, last year.

Results from Travelers' life and pensions businesses are still suffering from real estate difficulties, with a higher level of underperforming mortgage loans and lower interest rates reducing net investment income.

Profits from property-casualty operations, however, improved in the quarter in spite of severe catastrophe losses suffered by the industry as a whole.

Mr Edward Budd, chairman and chief executive, said the decline in interest rates had increased the market value of Travelers' fixed-income portfolio to \$23.2bn - or \$1bn above book value.

Catastrophes reduced earnings by \$16m after-tax, compared with \$11m last year. Underperforming real estate grew by about 2 per cent to \$5.2bn from \$5.1bn at the end of this year's first quarter. The real estate valuation reserves stood at \$871m at the end of the second quarter.

Net profits from the property-casualty commercial lines slipped to \$98.7m from \$82.4m a year ago, while personal lines rose to \$15.9m from \$7.8m. Life, health and annuities made a net gain of \$15.5m, compared with \$9m last year, while managed health care employee benefits produced earnings of \$16m, against \$20m the previous year.

Premiums totalled \$1.6bn, compared with \$1.9bn last year, while net investment income fell to \$713m from \$846m. For the first half of 1992, Travelers recorded a decline in net income to \$140.8m, or \$1.27, compared with \$183.8m, or \$1.74, in the same period of 1991.

Earlier this week Cigna, one of the largest composite insurers in the US, unveiled underlying second-quarter earnings of \$1.09 a share, compared with \$1.88 in the same period of 1991.

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Molson dips 2% with slump in hardware side

By Bernard Simon
in Toronto

MOLSON Companies, the diversified Canadian brewer, saw earnings dip by 2 per cent in the latest quarter as slightly higher beer and cleaning services profits were offset by the continuing slump in the hardware distribution business.

Net earnings fell to C\$38.4m (US\$32.4m), or 66 cents a share, in the three months to June 30, the first quarter of the company's fiscal year. Earnings a year earlier were C\$39.3m, or 71 cents a share.

Revenues for the period climbed to C\$799m from C\$782m.

Molson Breweries, Molson's joint venture with Foster's

Brewing of Australia, managed a 3 per cent rise in operating profits, despite a shrinking overall beer market.

Molson's market share slipped to 50.3 per cent from 51.8 per cent a year earlier.

Diversey Corporation, the international cleaning services subsidiary, lifted profits by 10 per cent, thanks largely to gains in the UK and Germany. But sales in North America were soft and margins were eroded by stiff competition.

Beaver Lumber's profit fell by 16 per cent, reflecting the unexpectedly protracted recession in Canada.

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NOTICE TO CREDITORS AND SHAREHOLDERS OF CENTRAL CAPITAL CORPORATION

On June 15, 1992, the Honourable Mr. Justice Houlden of the Ontario Court of Justice (General Division) ("the Court") made an order, pursuant to the provisions of the Companies' Creditors Arrangement Act ("CCAA"), which provided, amongst other relief, for a stay of proceedings in order to facilitate a restructuring of Central Capital Corporation's ("CCC") debt. Accordingly, unless otherwise ordered by the Court, CCC's secured and unsecured creditors are prohibited from taking any action to enforce any claims against CCC outstanding at June 15, 1992. CCC remains in possession and control of its property, assets and undertaking and is authorized by the Court to continue to carry on business.

Subsequently, Mr. Justice Houlden made an order on July 9, 1992 ("the July 9th Order") appointing Peat Marwick Thorne Inc. as Interim Receiver, Manager and Administrator ("the Administrator") of certain assets of CCC pursuant to the provisions of the CCAA and the Courts of Justice Act.

The July 9th Order authorized and directed the Administrator to enter into and carry out a transaction whereby CCC's major assets would be sold, in exchange for a reduction in creditors' claims, to The Canadian Insurance Group Limited ("CIGL"), a company to be owned by those creditors of CCC who elect to participate in the CIGL transaction. The July 9th Order also established the Administrator's responsibility for supervising a claims procedure, which forms the basis through which creditors may elect to participate in CIGL. Subject to Court direction, the Administrator plans to make a formal call for claims in early August, 1992.

In addition, the July 9th Order authorized CCC to file with the Court, by August 19, 1992, a formal Plan of Compromise or Arrangement ("the Plan") with its creditors and shareholders in accordance with the CCAA and the Canada Business Corporations Act, respectively. The Plan will deal with CCC's remaining assets, debt and equity. The Company expects to provide creditors and shareholders with details of the Plan by early September, 1992.

Creditors and shareholders may obtain further information, including copies of the above-referenced Court Orders, and register their interest in this matter by directing their written requests to the attention of Mr. Nicholas Beaton, Senior Vice President of Peat Marwick Thorne Inc., at the address indicated below.

Dated at Toronto this 24th day of July, 1992.

PEAT MARWICK THORNE INC.
Court Appointed Interim Receiver, Manager
and Administrator of certain assets of
CENTRAL CAPITAL CORPORATION
R.O. Box 31
33rd Floor
Commerce Court West
Toronto, Ontario, Canada
M5L 1B2
Fax (416) 777-3384

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NOTICE OF EARLY REDEMPTION To the Holders of

VARCO INTERNATIONAL FINANCE N.V.
8 1/2% Convertible Subordinated Debentures Due 1996
(the "Debentures")
(Convertible into Common Stock of Varco International, Inc.)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1981 among Varco International Finance N.V. (the "Issuer"), Varco International, Inc. (the "Guarantor") and Morgan Guaranty Trust Company of New York (the "Trustee"), under which the Debentures were issued, all the Debentures will be redeemed on September 9, 1992 (the "Redemption Date") at a price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date, (the "Redemption Price"). Payment of the Debentures will be made upon presentation and surrender thereof with all coupons appertaining thereto maturing after the Redemption Date, at the option of the holder at the office of any one of the Paying and Conversion Agents set forth below. The Redemption Price will become due and payable upon each Debenture on the Redemption Date, and interest thereon shall cease to accrue on and after the Redemption Date.

The holder has the right until the close of business on the Redemption Date, to convert the Debentures called for redemption into Common Stock of Varco International, Inc. upon surrender of the Debentures, with all unmaturing coupons appertaining thereto, to any one of the Paying and Conversion Agents set forth below, together with a conversion notice fully executed. In accordance with the terms of the Indenture, no payment or adjustment shall be made upon any conversion on account of any interest accrued on the Debenture surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

The Debentures are currently convertible into Common Stock of Varco International, Inc. at a conversion price of \$30.50 per share.

PAYING AND CONVERSION AGENTS		
Morgan Guaranty Trust Company of New York Tellers and Mail Unit 55 Exchange Place, Basement A New York, New York, 10260-0023	Morgan Guaranty Trust Company of New York 60 Victoria Embankment London EC4Y 0JP	Morgan Guaranty Trust Company of New York Avenue des Arts 35 B-1040 Brussels Belgium
Morgan Guaranty Trust Company of New York Mainzer Landstrasse 46 6000 Frankfurt/Main Germany	Credit Suisse (Luxembourg) S.A. PO Box 40 23 Avenue Monterey L-2010 Luxembourg Luxembourg	Credit Suisse 8 Paradeplatz Zurich Switzerland

VARCO INTERNATIONAL FINANCE N.V.
By: Morgan Guaranty Trust Company as Trustee
Dated: August 6, 1992

Any payment made within the United States or transferred to an account maintained by a non-US payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 28% if payee not recognized as exempt recipient(s) fail to provide the paying agent with an executed IRS Form W-9 certifying under penalties of perjury that the payee is not a United States person. Payments made within the United States to non-exempt US payees are reportable to the IRS and those US payees are required to provide to the paying agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 28% withholding on the payment. Failure to provide a correct tax payer identification number may also subject a US payee to a penalty of \$50.

All these securities have been sold, this announcement appears as a matter of record only.
New Issue
28th July, 1992.

The City of Yokohama
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7 3/8 per cent. Guaranteed Bonds due 2002
unconditionally and irrevocably guaranteed as to payment of principal and interest by

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UBS Phillips & Drew Securities Limited

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Credit Suisse First Boston Limited
Goldman Sachs International Limited
Mitsubishi Finance International plc
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Nikko Europe Plc
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Swiss Bank Corporation

S.G. Warburg Securities

INTERNATIONAL COMPANY NEWS AND CAPITAL MARKETS

Nippondenso in 25% fall as car demand weakens

By Gordon Cramb in Tokyo

NIPPONDENSO, Japan's largest maker of electronic and electrical car parts which is affiliated to Toyota Motor, incurred a 25 per cent fall in parent pre-tax profits to ¥30.43bn (\$238m) for the first half to June, showing the effects of declining domestic car demand.

Sales rose 4.3 per cent to ¥681.9bn, but the company blamed the fall in earnings partly on an increase in labour costs and research and development spending. It said profits would have been more than halved were it not for rationalisation moves and efficiency improvements already in place.

Apart from Toyota - its main customer and 23 per cent controlling shareholder - Nippondenso supplies all Japan's other carmakers except Nissan. The industry is likely to have been seeking to squeeze supplier margins to help shield the car manufacturers from the downturn.

For the full year, Nippondenso is projecting flat sales of ¥1,350bn and taxable profits of ¥65bn, down 21.7 per cent from the ¥83bn achieved last year. Previously the company had expected to maintain or slightly improve

on the 1991 level.

Nippondenso said equipment investment would be cut to ¥100bn from ¥120bn last year and an originally budgeted ¥126bn this time.

A breakdown of its interim revenues showed the greatest gains in sales of electrical parts and electronic control products, its second largest segment. These showed a 7.2 per cent rise - Japanese makers have been packing their vehicles with technology as one effort to stimulate customer demand.

Sales of car heaters and air conditioners, its mainstay representing more than one-third of business, were a bare 0.2 per cent higher.

● Daihatsu Motor, the Japanese compact car and minivan manufacturer, and Tianjin Automobile Industrial, the mainland Chinese carmaker, are considering setting up a joint venture, Reuters reports from Tokyo.

Daihatsu, 14.7 per cent owned by Toyota Motor, already supplies technology and parts to Tianjin, while the Chinese company produces Daihatsu's Charade cars and Hijet commercial vehicles for the local market. It produced about 20,000 Charades and about 14,000 Hijets in 1991.

Highveld down 34% due to poor markets

By Philip Gawith in Johannesburg

THE RECESSION in South Africa and weak international markets caused Highveld Steel and Vanadium's attributable profits to drop by 34 per cent to R31m (\$11m) in the six months to the end of June.

The metals manufacturer, which is an associate of the Anglo American group, is cutting its interim dividend to 20 cents a share from 30 cents a year earlier, following a 46 per cent drop in earnings per share to 35.1 cents from 65.3 cents. Earnings were diluted by the issue of new shares to fund Highveld's 50 per cent stake in the Columbus stainless steel project.

Mr Leslie Boyd, chairman, said poor market conditions and the uncertain socio-political climate meant that second-half earnings would "at best" equal those of the first.

Turnover rose by 7.4 per cent to R696.2m from R648.2m, but weaker margins saw pre-tax profits fall by 28.5 per cent to R35.9m from R50.2m. Attributable profits fell to R31m from R47.2m.

Mr Boyd said the prolonged South African economic downturn had had a serious impact on the construction industry and capital investment in general. These factors, and high merchant inventories, caused a "substantial decline" in Highveld's domestic steel sales. The absence of large industrial projects and a weak order book suggested this position was likely to continue in the second half.

International steel markets remained weak with consumption and prices predicted to fall. Consumption and prices of vanadium - Highveld is the world's largest producer - have also fallen.

Mr Boyd said the board had approved the R2.5bn Columbus project, a joint venture with Samancor, the South African ferrochrome producer. Talks with the authorities about incentives and funding must still be finalised.

Shaping a new market from bank debt

Investing in Latin American Brady bonds is not for the faint hearted, writes Richard Waters

TOMORROW will mark the latest stage in the development of a high-yield sovereign bond market as Argentina moves another important step closer to transforming its \$31bn of foreign bank debt into bonds.

By the end of this year, if their optimistic targets are met, both Argentina and Brazil will have succeeded in securitising their combined \$75bn of bank debts.

The new "Brady bonds" that result - named after the US treasury secretary whose debt-reduction proposals have provided a model for successive developing countries - will create one of the biggest opportunities so far for international investors to take part in the highly-volatile Latin American debt markets.

So far, some \$60bn of Brady bonds have been issued, mostly by Mexico (\$33bn) and Venezuela (\$19.5bn), but also by Costa Rica, Nigeria, Philippines and Uruguay. Successful conclusions to the Argentine and Brazilian plans would more than double the amount of outstanding bonds.

One effect of this massive increase in supply could be to depress prices. For instance, there are currently only around \$10bn of floating rate notes (FRNs) issued by developing countries: by the end of the year, the amount will have jumped to \$27.2bn, estimates Mr Paul Luke, an analyst at Morgan Grenfell in London.

That will put pressure on prices - though, with no immediate need for banks to sell the new bonds, it should not cause a mass sell-off. Instead, said Mr Luke, there is likely to be considerable switching between new and existing FRNs as holders

reassess the relative value of different instruments.

The same is likely to be true of the bulk of fixed rate bonds created by the Brady deals.

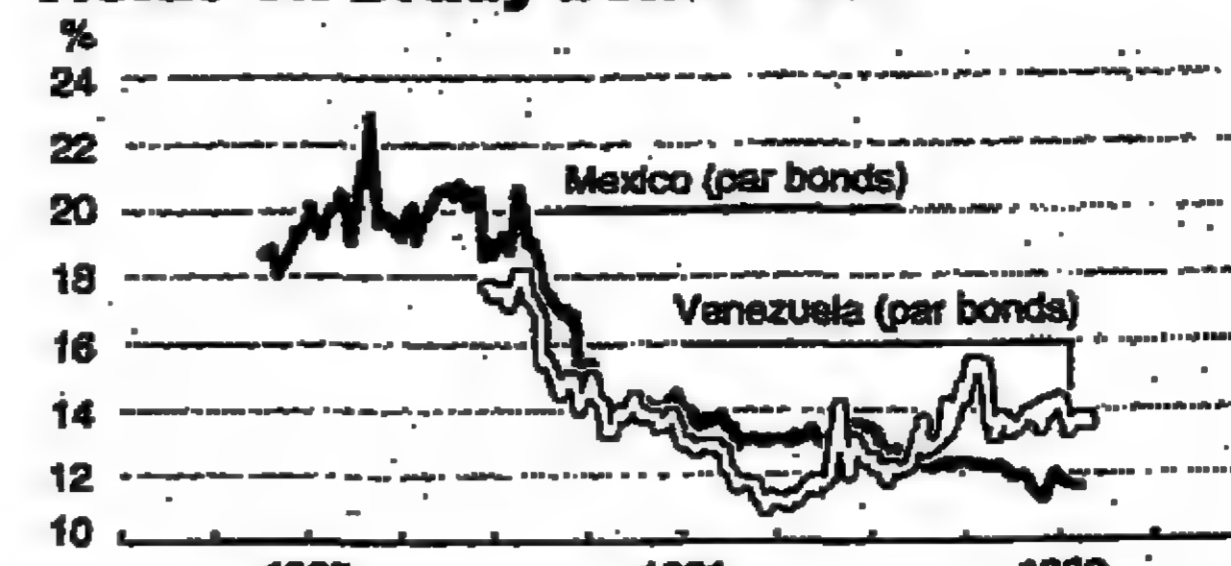
The "stripped" yields on Mexican and Venezuelan Brady bonds (that is, the yield based on pure country risk, after stripping out the effect of the collateral backing the bonds) have virtually halved in the past two years, as the graph shows. The implied yields on the new Argentine and Brazilian bonds are far higher, with Argentina at around 18.5 per cent and Brazil at over 30 per cent. Holders who have made substantial paper profits on Mexico and Venezuela may take the chance to try to repeat the success by switching into the new Argentine and Brazilian bonds.

The market's long-term future, though, depends on whether new investors can be drawn into the high-yielding securities. Most institutional investors have been excluded from the secondary market that sprang up during the 1980s in the bank debt of lesser developed countries. Some countries' central banks have restricted the holding of debt to banks, while many institutions are limited by their internal rules to investing in bonds, excluding them from the market in traded bank debt.

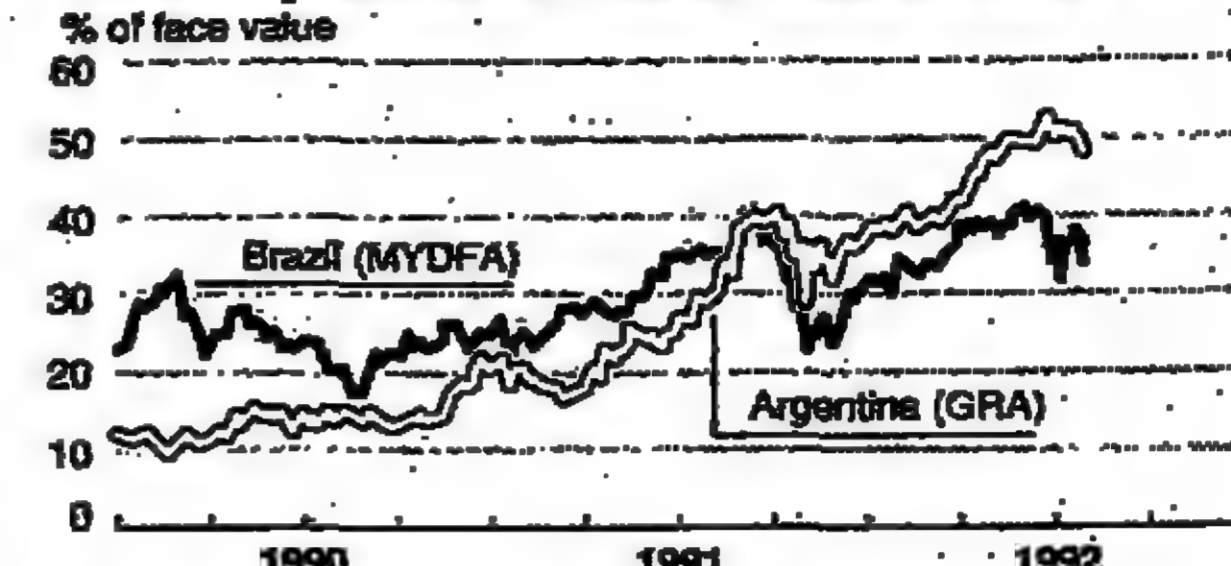
Even for those allowed to invest, the drawbacks have been extensive. Settling trades in the secondary market in bank debt is expensive and time-consuming.

The experience of Mexico and Venezuela, which issued Brady bonds during 1990, shows that a vigorous market could quickly develop in the new instruments. Both

Yields on Brady bonds fall...



...while prices of bank loans rise



Source: Salomon Brothers

countries' bonds are among the most heavily traded in the international markets: according to figures compiled by Euroclear, the largest international bond settlement house, over \$4bn of Venezuela's step-up bonds due 2007 were traded in June, making these the most actively traded of any US\$ security in Euroclear.

The process of creating a new bond market out of Argentine and Brazilian bank debt is already well advanced. By tomorrow, Argentina's bank creditors will have to select what type of bonds they want to receive in return for their debt, signalling the new bond market.

This deadline has already effectively killed off the market in Argentine bank debt, known

as GRA. Trading began to peter out around three weeks ago as banks moved to settle all their outstanding trades before the August 7 cut-off point.

In its place, a market in the yet-to-be issued bonds has already opened - as it has with Brazilian debt. Trading in the so-called "when, as and if issued" bonds does not involve any cash changing hands at the time of the trade: only when the bonds are finally issued will traders settle up for their losses or profits. That makes it attractive for investors wanting to play the market but not wanting to have to fund their positions.

The fast-growing high-yield bond markets that have emerged from the LDC debt crisis are likely to attract only

the most adventurous fund managers, however. For a start, they betray all the signs of immature markets. Prices across Latin America, for instance, move together in reaction to dramatic (particularly bad) news in any one country, even if the news has no bearing on other countries in the region.

"The region is not properly researched yet. It over-reacts to events - that's part of the risk," said Mr Marc Wenhammar, a fund manager at Latin American Securities, a specialist investor in the region.

Also, a Wild West spirit has pervaded the market: big profits and light or non-existent regulation have given rise to fears about market practices and concerns that banks have traded on inside information gained from their negotiations with borrower governments. With the Federal Reserve in the US and the Bank of England in the UK breathing down their necks, traders have belatedly got together to form the Emerging Markets Association, to try to develop rules for, and confidence in, the markets.

However, it is uncertainty about the economic prospects for the region that will keep most investors away. Ample demonstration of this came from Brazil yesterday: the country's debt, which had been trading at over 35 per cent of face value, tumbled sharply to under 30 as renewed fears took hold over the future of President Fernando Collor, fighting for his political life in the face of corruption allegations. With volatility like that, the Latin American debt markets are likely to remain outside the scope of most investors.

Japanese trust bank to close two overseas offices

By Emiko Terazono in Tokyo

NIPPON Trust Bank, a medium-sized Japanese trust bank, is to close its representative offices in New York and London later this year.

It will be the first Japanese bank to fold its international network, a move which could prompt similar decisions by other banks.

In sharp contrast to the Japanese banks' aggressive international expansion of the late 1980s, they have refocused on their domestic market. The banks now favour business with established Japanese blue

chip companies rather than overseas groups.

While the banks are burdened with increasing bad loans caused by sharp falls in the Japanese stock and property markets, they have been slow to respond to hard times - unlike the Japanese brokers which have implemented rationalisation programmes.

Leading brokers, such as Nomura and Daiwa, are reshuffling their overseas operations, while smaller houses, such as Takagi Securities and Kaisei Securities, have withdrawn from overseas operations.

International steel markets remained weak with consumption and prices predicted to fall. Consumption and prices of vanadium - Highveld is the world's largest producer - have also fallen.

Mr Boyd said the board had approved the R2.5bn Columbus project, a joint venture with Samancor, the South African ferrochrome producer. Talks with the authorities about incentives and funding must still be finalised.

Hongkong Electric earnings rise 23% at halfway

HONGKONG Electric, the monopoly supplier of electricity to Victoria Island, yesterday reported a 23 per cent rise in earnings to HK\$1.15bn (US\$149m) for the six months to June from HK\$934m a year earlier, writes Simon Holbert in Hong Kong.

The company, which is 34.6 per cent owned by Mr Li Ka-

shing's Hutchison Whampoa, boosted turnover by 7.4 per cent to HK\$2.34bn from HK\$2.18bn.

Directors declared an interim dividend of 30 cents a share, 15 per cent higher than the year earlier period. Earnings per share were 57 cents against 46 cents.

Mr Simon Murray, chairman,

said record rainfall in the colony and cool weather resulted in a 1.8 per cent growth in electricity unit sales in the first half. Maximum demand for electricity was 6 per cent higher, year-on-year.

Hongkong Electric also develops residential property and Mr Murray said that during the half-year the compa-

ny's associate Secan received an occupation permit for the final block of its phase 1 South Horizons development on Ap Lei Chau. Occupation permits for seven blocks at phase 2 of the development are expected in the second half. Analysts estimate this development will contribute nearly HK\$700m to pre-tax profits this year.

MIM aims to cut AS40m from costs

MIM Holdings, the leading Australian mining group, has revised its procurement policies aimed at cutting about 5 per cent, or AS40m (US\$30m), from its costs over the next two years, writes Bruce Jacques. The company is setting up a central procurement group to use group purchasing power more effectively.

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12 hour period	purchase	purchase	purchase	purchase
ending	£/MWh	£/MWh	£/MWh	£/MWh
0000	17.80	18.00	18.00	18.00
0100	17.80	17.80	17.80	17.80
0200	17.80	17.80	17.80	17.80
0300	17.71	17.80	17.80	17.80
0400	17.71	17.80	17.80	17.80
0500	17.71	17.80	17.80	17.80
0600	17.71	17.80	17.80	17.80
0700	17.71	17.80	17.80	17.80
0800	17.71	17.80	17.80	17.80
0900	17.71	17.80	17.80	17.80
1000	17.71	17.80	17.80	17.80
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1200	17.71	17.80	17.80	17.80
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1900	17.71	17.80	17.80	17.80
2000	17.71	17.80	17.80	17.80
2100	17.71	17.80	17.80	17.80
2200	17.71	17.80	17.80	17.80
2300	17.71	17.80	17.80	17.80
2400	17.71	17.80	17.80	17.80

This announcement appears as a matter of record only.

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NOTICE OF PARTIAL REDEMPTION

LOYD'S BANKING GROUP PLC (the "Bank")
Guaranteed Floating Rate Notes 1994 (the "Notes")
NOTICE IS HEREBY GIVEN that, pursuant to Condition 5 of the Notes, Lloyd's Bank PLC has redeemed 22,000,000 of the Notes pursuant to Condition 5 of the Notes in partial satisfaction of the Bank's obligations and a further 22,000,000 of the Notes have been drawn down for redemption and redemption is as follows:
Notes redeemed in accordance with Condition 5 of the Notes in partial satisfaction of the Bank's obligations and a further 22,000,000 of the Notes have been drawn down for redemption and redemption is as follows:
01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
and all other Notes bearing the following serial numbers:
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and all other Notes bearing the following serial numbers:
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French bonds rally on opinion poll support for Treaty

By Sara Webb in London and Patrick Harverson in New York

FRENCH government bonds rallied to close higher yesterday as the latest opinion poll

closed higher, with the Matif futures contract trading at 105.54 by late afternoon, against the opening level of 105.32.

THE UK government bond market slipped yesterday as sterling weakness held the short end of the market in check and expectations of an auction announcement pushed longer-dated issues lower.

In late trading, the benchmark 30-year government bond, which had been up 1/4 point at midsession, was down 1/4 at 108 1/2, yielding 7.427 per cent. The two-year note was slightly firmer, up 1/4 at 99 1/2, to carry a yield of 4.366 per cent.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRIA	10.000	10/02	111.810	-0.886	8.6	8.35	8.67
BELGIUM	9.000	06/01	99.550	-	9.07	8.97	8.82
CANADA	8.500	04/02	107.580	-0.450	7.38	7.50	7.92
DENMARK	9.000	11/00	97.150	-	9.50	9.39	8.96
FRANCE	8.500	03/97	96.570	-0.167	9.42	9.42	8.95
FRANCE	8.500	11/02	96.530	-0.250	9.01	9.04	8.73
GERMANY	8.000	01/02	98.960	-0.030	8.15	8.07	7.98
ITALY	12.000	05/02	133.950	-0.10	13.53	13.91	12.42
JAPAN	8.000	06/96	108.740	-0.14	5.63	5.68	5.44
JAPAN	6.400	03/00	108.165	-0.152	4.53	4.68	5.23
NETHERLANDS	8.250	02/02	98.730	-0.100	8.43	8.37	8.27
SPAIN	11.300	01/02	94.170	-0.100	12.34	12.31	11.68
UK GILTS	10.000	11/94	101.407	-3.53	9.43	9.41	9.06
UK GILTS	9.750	06/02	102.22	-3.32	9.33	9.13	9.02
US TREASURY	7.500	05/97	106.06	+0.39	6.61	6.69	6.92
US TREASURY	6.000	11/01	106.25	+0.52	7.42	7.56	7.62
US TREASURY	8.500	03/02	93.650	-0.070	9.53	9.44	8.88

breach this level so far. In the cash market, the yield on the benchmark No 129 opened at 4.91 per cent and moved to 4.94 per cent, corresponding to the low price of the day. The bond traded at a yield of 4.94 per cent in the London trading session.

GOVERNMENT BONDS

indicated strong support for the ratification of the Maastricht Treaty on European economic and monetary union. The opinion poll for Paris Match magazine showed that 64 per cent of respondents were certain to vote at the referendum on September 20. Of these, 56 per cent would vote for the Treaty and 44 per cent against.

News that the Bundesbank had drafted DM5.3bn - a larger amount than expected - depressed bond prices in the morning. The central bank drained cash out of the system and allocated all of the one-month funds at its repo at 3.70 per cent or above. The news heightened concern that the Bundesbank may consider raising the Lombard rate.

THE UK government securities fell from early gains at the long end and yesterday amid mild disappointment that the Treasury's latest quarterly refunding programme did not include a cut in the size of its long bond offering.

Japanese government bonds tried to test new highs in the cash and futures markets, but profit-taking trimmed early gains and the markets closed lower on the day. The September futures con-

Contest to set up European rating agency intensifies

By Richard Waters

THE battle to create a new European credit rating agency has intensified, with two groups competing for the backing of Bertelsmann, the German media giant which has emerged as one of the main potential sponsors of such a venture.

Euronotation, a French agency. This will entail 70 per cent of the new group's shares passing to Centenaire Blanz, a French publishing group, with the balance remaining with management, said Mr Robin Monro-Davies, chairman of IBCA.

Japan's CP market set to resume growth

JAPAN'S domestic commercial paper (CP) market will grow again, but credit risks will rise, Moody's Investors Service said in a study released this week. Reuter reports from Tokyo.

Strong Asian demand for IADB \$500m paper

By Tracy Corrigan

THE Inter-American Development Bank yesterday launched a \$500m offering in the Eurobond market which relied on strong demand from Asian investors to achieve an aggressive pricing.

INTERATIONAL BONDS

The deal was priced to yield just 18 basis points above the five-year US Treasury, a level which London-based dealers agreed was very tight compared with paper in the secondary market.

NEW INTERNATIONAL BOND ISSUES

Borrower	US\$	Coupon %	Price	Maturity	Fees	Book runner
ABN AMRO BANK (Netherlands)	500	6	101.75	1997	1 1/4	Goldman Sachs Intl
ABN AMRO BANK (Netherlands)	100	6	99.90	2002	50bp	Kidder Peabody
BASF (Germany)	300	6 1/2	100.00	1997	1 1/4	Dresdner Bank
BASF (Germany)	100	6 1/2	99.85	2002	50bp	Lehman Brothers
SWISS FRANCES (Switzerland)	300	(c)	100.35	2002	20/10	Dresdner Bank
SWISS FRANCES (Switzerland)	55	3 1/4	100	1996	-	Yamaichi Bank

British Gas downgraded due to regulatory fears

By Tracy Corrigan

BRITISH Gas yesterday lost its triple-A debt rating, prompting speculation that the quality of the UK's privatised utilities may be on a downward slide, due to a stricter regulatory environment.

Standard & Poor's, the US rating agency, lowered the credit rating of British Gas's \$2.2bn of long-term debt to double-A plus, citing "growing regulatory pressures on the company's core UK gas business" as well as the risks of diversification into gas and oil exploration and production.

FT/ISMA INTERNATIONAL BOND SERVICE

US\$	Yield	Price	Change	Yield	Price	Change
1000	10.75	111.81	-0.886	8.6	8.35	8.67
1000	10.75	111.81	-0.886	8.6	8.35	8.67
1000	10.75	111.81	-0.886	8.6	8.35	8.67
1000	10.75	111.81	-0.886	8.6	8.35	8.67
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1000	10.75	111.81	-0.886	8.6	8.35	8.67
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1000	10.75	111.81	-0.886	8.6	8.35	8.67

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Commercial, Industrial, Financial & Property	153	373	914
Oil & Gas	14	17	55
Plantations	23	0	8
Others	36	49	42
Totals	305	649	1,745

LONDON RECENT ISSUES

Issue	Amount	Price	Yield	Rating
ABN AMRO BANK	500	101.75	6.00	A+
ABN AMRO BANK	100	99.90	6.00	A+
BASF	300	100.00	6.50	A+
BASF	100	99.85	6.50	A+
SWISS FRANCES	300	100.35	(c)	A+
SWISS FRANCES	55	100	3.25	A+

LIFFE EQUITY OPTIONS

Option	CALLS	PUTS	Option	CALLS	PUTS
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60

FIXED INTEREST STOCKS

Issue	Amount	Price	Yield	Rating
ABN AMRO BANK	500	101.75	6.00	A+
ABN AMRO BANK	100	99.90	6.00	A+
BASF	300	100.00	6.50	A+
BASF	100	99.85	6.50	A+
SWISS FRANCES	300	100.35	(c)	A+
SWISS FRANCES	55	100	3.25	A+

RIGHTS OFFERS

Issue	Amount	Price	Yield	Rating
ABN AMRO BANK	500	101.75	6.00	A+
ABN AMRO BANK	100	99.90	6.00	A+
BASF	300	100.00	6.50	A+
BASF	100	99.85	6.50	A+
SWISS FRANCES	300	100.35	(c)	A+
SWISS FRANCES	55	100	3.25	A+

TRADITIONAL OPTIONS

Option	CALLS	PUTS	Option	CALLS	PUTS
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60

TRADITIONAL OPTION 3-month call rates

Option	CALLS	PUTS	Option	CALLS	PUTS
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60
IBM	600	60	IBM	600	60

DEUTSCHE MARK STRAIGHTS

Issue	Amount	Price	Yield	Rating
ABN AMRO BANK	500	101.75	6.00	A+
ABN AMRO BANK	100	99.90	6.00	A+
BASF	300	100.00	6.50	A+
BASF	100	99.85	6.50	A+
SWISS FRANCES	300	100.35	(c)	A+
SWISS FRANCES	55	100	3.25	A+

EUROPEAN STRAIGHTS

Issue	Amount	Price	Yield	Rating
ABN AMRO BANK	500	101.75	6.00	A+
ABN AMRO BANK	100	99.90	6.00	A+
BASF	300	100.00	6.50	A+
BASF	100	99.85	6.50	A+
SWISS FRANCES	300	100.35	(c)	A+
SWISS FRANCES	55	100	3.25	A+

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COMPANY NEWS: UK

Healthcare strength overcomes consumer products weakness
Smith & Nephew rises to £66m

By Richard Gourlay

SMITH & NEPHEW increased pre-tax profits by 6 per cent in the first half, as growth in healthcare products overcame weakness in the recession-hit UK consumer division.

Orthopaedic, arthroscopy and special wound healing products grew at an underlying 11 per cent, while the mainly UK-based consumer division was hit by recession - although it continued to produce strong cash flow.

Pre-tax profits for the six

months to June 30 increased from a restated £62.5m to £66m on sales up 7 per cent at £411m (£394m).

Earnings per share crept up to 4.3p (4.2p) and the interim dividend is raised to 1.8p (1.75p).

Turnover in the consumer division, where sales of brands such as Nivea and Elastoplast are concentrated in the UK, fell by 6 per cent.

Mr John Robinson, chief executive, said the key feature of the results was the accelerating growth in the core healthcare area. That was

where the group would focus its sales drive.

Growth from that source would be sustained at or above the 11 per cent rate achieved in the first half by greater penetration into international markets, where the company had existing sales networks but small market shares.

Smith & Nephew achieved a 15 per cent share of the world healthcare market, which is worth £4bn.

"Most of our products are used by the over 60s. The market is growing because of the

basic human need for better health care."

Mr Robinson said the consumer division would continue to grow a little faster than inflation, but not as quickly as the medical areas and hospital-related businesses.

The tax rate paid has risen from 27 per cent to 30 per cent and is likely to rise to at least 31 per cent next year as the company is paying insufficient mainstream UK corporation tax against which to offset Advance Corporation Tax.

See Lex

Richmond inquiry finds no evidence of cash circle

By Peggy Hollinger

RICHMOND Oil & Gas, the natural resources company, yesterday sought to put to rest questions over the underwriting arrangements of the company's flotation in 1989. Matters arising from the flotation are being investigated by the Serious Fraud Office.

Mr Robert Fox, chairman, said an internal investigation of the company's files had not revealed "any evidence of any irregularities on the part of the company or any member of the board of directors" at the time of the flotation. Nor had the company found evidence of a circle of funds, he said.

However, Richmond is expected to make a further announcement soon about the position of Mr David Wilkinson, chairman at the time of the flotation and currently joint managing director.

An investigation by Price Waterhouse in May cited evidence for a circle of funds which appeared to give the impression that the sub-underwriting at flotation had been fully financed. PW's inquiry was based on documents discovered in the offices of Jersey accountant, Bryant & Co, which managed several subunderwriters for the flotation.

The PW report prompted an SFO investigation into dealings in Richmond and another company, Butte Mining.

Richmond's own inquiry confirmed that £15.8m - the proceeds from the original offer - had been deposited with Jersey-based Oakwood Management Enterprises on the advice of its brokers, Corporate Broking Services. Mr Wilkinson was a director of CBS at the time.

The decision to deposit the money had been taken by "disinterested" members of Richmond's board. These were Michael Hayes, then-finance director, and Mr Michael Hogg, formerly chief executive and now joint managing director. Mr Hayes left the company earlier this year.

Mr Fox said the company would not specify when the interest was paid, but said it had been accounted for in the 1990 results.

The SFO confirmed it was not investigating the current activities of Richmond. "We are investigating certain share transactions...over 18 months ago," the SFO said.

Wickes stages recovery to £2.6m but passes dividend

By John Thornhill

WICKES, the European DIY chain which teetered on the edge of disaster after diversifying into the timber business, has bounced back into the black recording an interim pre-tax profit of £2.6m after losses of £12.9m last time.

Sales for the six months to June 30 slipped from £269m to £253m, but the company scored operating profits of £9.4m against losses of £3.2m last time.

The dividend was again passed but Wickes said it would consider paying a final dividend if its full-year results justified it. Earnings per share amounted to 0.7p (5.8p losses).

The company's core DIY business, which is tilted towards the trade end of the market, saw very strong growth with UK retail profits improving by 26 per cent while those from continental Europe rose by 32 per cent.

Mr Henry Sweetbaum, chairman and chief executive, said the fierce discount war in the DIY sector in the UK had not had a substantial impact on Wickes. "We had a short blip when it hurt us but it did not last for very long," he said.

He added that Wickes had concentrated on consistent low pricing which, he suggested, contrasted sharply with the sporadic discounting tactics adopted by the other DIY multiples. "If they say they are going to have a sale on the Saturday then you could fire a shotgun through their stores on a Tuesday and not hit anyone," he said.

Wickes opened eight stores in the UK during the half year and the company said it continued to see considerable opportunities for growth in mainland Europe, especially in France.

Losses at the company's Hunter and Malden timber businesses were sharply reduced. "I think most of the surgery is now over. It is now a question of motivation, drive and the market," Mr Sweetbaum said.

Group debt declined during the half year by £22.3m and net borrowings at the period end



Henry Sweetbaum: the discount war had little effect on Wickes

totalled £84.7m. The interest charge fell from £9.8m to £6.8m. There was an extraordinary net gain of £3.9m (£2.4m charge) largely resulting from the conversion of the group's remaining £19m of convertible unsecured loan stock.

Lord Sleff of Brompton, the former chairman of Marks and Spencer, is to retire as a non-executive director. But earlier this week, the company announced the appointment of Mr Michael von Brentano, head of investment banking activities for Barclays de Zoete Wedd in Germany, as a non-executive director.

● COMMENT

Over the past few years Wickes has been through the mangle with a vengeance but is certainly emerging as a leaner, fitter business. Since being saved by a £42.6m emergency rights

issue last year, the company has substantially cut the losses at its timber business and continued to press ahead with its successfully distinctive DIY formula. Wickes is certainly one of the lowest-cost operators in the sector and has been able to derive substantial cost savings from its pan-European sourcing policy. Analysts have scaled back expectations for the full year - because of Wickes's cautious noises about the economy - but are still looking for between £12m and £14m. That puts the company on a prospective multiple of 17 with a token dividend also likely to be paid. After gaining much ground following the rights issue, Wickes's shares have fallen heavily in recent months. But its attractions - at least for those who still believe in recovery.

Walker takes steps to avoid bankruptcy

By Maggie Urry

SOLICITORS acting for Mr George Walker, former chairman and chief executive of Brent Walker, yesterday put forward proposals in the High Court in the hope of avoiding his being declared bankrupt.

Brent Walker, the property and leisure group, completed a £1.6bn refinancing package in March this year.

TSB Bank, one of the banks which lent to Mr Walker personally as well as to the company, had asked for an order of personal bankruptcy against him. The petition cited claims in excess of £5m.

The court appointed Mr Raymond Hocking, an insolvency

partner at Stoy Hayward, the accountants, to examine the proposals and report to the court on August 19.

Mr Michael Coleman of Harveys, Mr Walker's solicitors, said: "Mr Walker believes that he has put forward, with the assistance of his family, proposals which will benefit his creditors and thus their shareholders beyond that which they would have achieved had he been made bankrupt."

"He sincerely hopes that his creditors will carefully consider the proposals being put forward on his behalf and agree to them."

Mr Coleman said he could not give any details of the proposals. The thirty minute hear-

ing was conducted in private and Mr Walker did not attend.

TSB Bank said it had sought the order for bankruptcy after exhausting all other possibilities. It said it was acting unilaterally in the best interests of its shareholders.

Mr Walker and his family are thought to owe far in excess of the £5m claim the TSB Bank is making. In 1989 trusts acting for his children paid £50m for four vineyards which were acquired from the company.

In 1990 Mr Walker and his family borrowed to finance a £27.5m purchase of convertible bonds issued by the company in the early stages of its refinancing talks. The bonds have since been converted into

shares in the company. These are now valued at a fraction of their original cost.

Brent Walker's latest accounts show that Birdcage Walk, owned by trustees on behalf of Mr Walker and his family, had held 12.4m shares, 3.7 per cent of the capital. However, Birdcage Walk had gone into liquidation and the company had not received any notification from the liquidator about the stake.

Mr Walker had made a £20m claim against the company and its banks when he was ousted from his executive role in May last year. However, the company said yesterday that no progress was being made on these claims.

Maddox makes £10m computer services buy

By Roland Rudd

MADDOX, the network and cable group run by Mr Hugo Biemann, has acquired Wakebourne Group Holdings, a specialist computer services company, for £10m.

The acquisition is being financed by a £16.5m placing of new shares at 8p each.

Mr Biemann, the South African-born entrepreneur, who made a small fortune in 1989 selling the mini-conglomerate Thomson T-Line to Ladbroke for £186m, said the acquisition took Maddox into the top end of the market in cabling and network systems.

Maddox, which first acquired its listing in March, has two main businesses. Cables and Flexibles, a UK distributor which Mr Biemann bought back from Ladbroke last year, and Seacoast Electrical Corporation in the US.

The Wakebourne acquisition is part of the group's strategy to expand its UK businesses. Further bolt-on acquisitions in the range of £200,000 to £4m

are expected over the next six months.

Wakebourne, which specialises in connecting different computer systems together, made pre-tax profits of £1.2m for the year to May 31 1991.

Mr Biemann said the number of corporate users of computer systems had been growing.

Wakebourne's £3.5m debt will be paid off by the placing of new shares which has more than doubled Maddox's total number of shareholders.

"Raising money in a recession means that you have to talk to many more institutions than in the good years", Mr Biemann said. Maddox talked to 80 institutions, 20 of which decided to take up the new shares.

Shareholders who wish to take part in the placing will be offered 81 new shares for every 88 existing shares.

Maddox's shares were yesterday relisted, closing at 8p, after being suspended on June 29 at 84p soon after Mr Biemann disclosed that he was close to making the acquisition.

Lewinsohn stands back from Card Clear

By Angus Foster

THE FORMER chairman of Dominion International, the collapsed finance house, has been forced to distance himself from a small credit card security company, following revelations that the Department of Trade and Industry is trying to disqualify him from holding company directorships.

Mr Max Lewinsohn, who was chairman of Dominion for 12 years before its collapse in 1990, last week resigned as non-executive chairman of Card Clear, which is seeking to raise between £150,000 and £250,000 through the Business Expansion Scheme.

Card Clear has written to all the scheme's applicants offering them the chance to withdraw before the closing date on Friday. The company's advisers said it was too early to tell

if any applications had been withdrawn.

In January the DTI initiated proceedings against Mr Lewinsohn relating to his involvement with Dominion under section 6 of the Company Directors Disqualification Act 1986. The next hearing is set for October.

Mr Lewinsohn retains a small stake in Card Clear after he and other investors raised £150,000 for the company last September.

The BES scheme is underwritten by Ellis & Partners, stockbrokers for Card Clear, and another company in which Mr Lewinsohn holds a minority stake.

Mr Clive Mattock, a director of Ellis, is a long-term friend of Mr Lewinsohn and was managing director of Oaklands Stockbrokers, which was closed in 1990.

Anglesey Mining raises £0.5m

By Kenneth Gooding, Mining Correspondent

ANGLESEY MINING, floated on the London Stock Exchange in 1986 to develop Britain's first base metals mine for decades, at Parys Mountain, Anglesey, is raising another £620,000 (£515,000 net of expenses) from institutional investors and its biggest shareholder, Imperial Metals of Canada.

Work at Parys Mountain came to an abrupt halt at the end of last year when Anglesey, which had spent £8.5m on the zinc-lead-copper project, failed to raise another £25m to take it through to production.

Mr Hugh Morris, chairman of Anglesey and Imperial, said yesterday the latest financing ensured that Anglesey would be self-sufficient

and in a stable financial position for the next two years. It also showed that Anglesey continued to receive financial support from Imperial.

He hoped that now metals prices were rising and the world economic situation seemed likely to improve, the search for more equity capital for Anglesey would resume soon.

Imperial's shareholding in the UK company would remain at about 43 per cent following the latest share issue. It is proposed - provided shareholders agree - that Anglesey issues 12.4m new ordinary shares at 5p each to Imperial and the institutions.

Imperial would also take another 4m new ordinary shares at the same price (worth a total of £200,000) in satisfaction of part of a loan made to Anglesey.

The shares fell by 1/4p to 4 1/4p.

WPP restructure proposal gets overwhelming support

By Maggie Urry

SHAREHOLDERS in WPP, the marketing services group, voted almost unanimously yesterday in favour of a financial restructuring plan. Of the preference shareholders, some of which had earlier threatened to vote against, 99.7 per cent voted in favour. The vote opens the way for Mr Gordon Stevens, an ex-Unilever man, to become non-executive chairman today.

WPP will now be working to improve operating margins, with the main thrust being an attack on the staff costs to revenue ratio. It is aiming for a further refinancing on more normal terms by 1997. WPP is negotiating the sale of Scall, McCabe, Sloves, an advertising business, which could raise £85m (£37m net). It might be completed in the next few months. The sale or flotation of

the market research business, which might be worth £150m to £200m, will take longer, while a plan to float the South East Asian activities appears to have been postponed.

Under the restructuring plan the group's convertible preference shares are turned into 160.3m new ordinary shares which will start trading today. The ordinary shares closed yesterday at 41p, down 4p and the convertibles at 31 1/2p down 2p.

The group's banks are also subscribing to an issue of 239.5m new shares at 60p each, raising £143m, which will be used to repay some of the company's £1bn (£520m) debt. Shareholders can buy back these shares from the banks. The banks have also provided the group with a £150m bridge facility. The group has its bank's permission to launch a rights issue, so long as it is priced at 45p a share or more.

BET guarded about rights acceptances

By Richard Gourlay

Investors in BET were kept on tenterhooks yesterday after the closing date of acceptances for the business services company's £200m rights issue.

The shares ended at 110p, equal to the rights price and some 19p below the price prevailing before the rights issue was announced on July 14.

BET was guarded last night about the level of acceptances. Some indications would suggest that while the rights cannot be considered a success it may not have been the disaster that some commentators have suggested.

The 1-for-4 issue has been underwritten by Baring Brothers. The proceeds will be used to redeem auction market preferred stock, the hybrid form of debt and equity.

PUBLIC WORKS LOAN BOARD RATES			
Effective August 5			
Term	SBP	Alt	Actuality
Over 1 up to 2	10 3/4	10 3/4	10 3/4
Over 2 up to 3	10 3/4	10 3/4	10 3/4
Over 3 up to 4	10 3/4	10 3/4	10 3/4
Over 4 up to 5	10 3/4	10 3/4	10 3/4
Over 5 up to 6	10 3/4	10 3/4	10 3/4
Over 6 up to 7	10 3/4	10 3/4	10 3/4
Over 7 up to 8	10 3/4	10 3/4	10 3/4
Over 8 up to 9	10 3/4	10 3/4	10 3/4
Over 9 up to 10	10 3/4	10 3/4	10 3/4
Over 10 up to 15	10 3/4	10 3/4	10 3/4
Over 15 up to 25	10 3/4	10 3/4	10 3/4
Over 25	10 3/4	10 3/4	10

Non-quota loans at 8 1/4 per cent higher and non-quota loans at 9 1/4 per cent higher in each case than quota loans. 1/Equal instalments of principal. 2/ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). 3/ With half-yearly payments of interest only.

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Société d'Investissement à Capital Variable			
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L-1728 Luxembourg			
The shareholders are advised that the following interim dividends have been declared payable to the shareholders on the register as at close of business on July 31st 1992, and that the shares were traded ex-dividend on August 3rd 1992.			
Sub-fund	Coupon	11	Amount per share
Stirling Bond	6	US\$0.42	
US Dollar Bond	6	US\$0.42	
International Managed Bond	6	US\$0.76	
Stirling Reserve	6	GB\$0.31	
US Dollar Reserve	6	US\$0.45	
The dividend for each of the above mentioned funds will be paid to the shareholders on Wednesday, August 12th 1992.			
The dividend will be payable to holders of bearer shares against presentation of the relevant coupon to:			
- Banque Internationale à Luxembourg			
2 Boulevard Royal			
L-2953 Luxembourg			
Grand-Duché de Luxembourg			
- The Hongkong and Shanghai Banking Corporation			
1 Queen's Road Central			
Hong Kong			
Board of Directors			

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LEGAL NOTICES

Notice of Appointment of Joint Administrative Receiver

DAVID FINSTER LIMITED
Registered Number: 127733. Nature of Business: Building Contractors. Trade Commenced: 23. Date of Appointment of Joint Administrative Receiver: 20 July 1992. Name of Person Appointing the Joint Administrative Receiver: National Westminster Bank Plc. JOEL FREDERICK POWELL and IAN MARSH CARUTHERS Joint Administrative Receiver, (Office Holder Nos 249 and 814) Clerk Only, 41 Temple Row, Birmingham B5 5TJ.

Notice of Appointment of Joint Administrative Receiver

WOLVERHAMPTON WINDOWS LIMITED
Registered Number: 1281152. Nature of Business: Retailers of double glazing. Trade Commenced: 24. Date of Appointment of Joint Administrative Receiver: 23 July 1992. Name of Person Appointing the Joint Administrative Receiver: National Westminster Bank Plc. JOHN FREDERICK POWELL and IAN MARSH CARUTHERS Joint Administrative Receiver, (Office Holder Nos 249 and 814) Clerk Only, 41 Temple Row, Birmingham B5 5TJ.

26% advance at Beales Hunter

THE INCLUSION of acquisitions, a return to the black in textiles and lower interest charges fed through to a 26.5 per cent pre-tax profit increase at Beales Hunter.

In the year ended May 31 1992 this refrigeration, textiles and electrical group produced £2.31m (£1.83m) after exceptional charges of £202,000 (£50,000), on turnover 9.5 per cent higher at £41.3m.

Excluding acquisitions, sales were slightly lower in the refrigeration and textile divisions and marginally higher in the electrical side.

Margins were down in refrigeration and electrical but profits rose in textiles where stock holding costs were much reduced against the second half of the previous year.

Group net interest charges were cut to £255,000 (£471,000) following the February rights issue.

Earnings per share dipped to 20.3p (20.8p) and the final dividend is 9.95p on increased capital to make 9.25p (9.15p).

Fairhaven Intl rises 16% to \$9.3m

Fairhaven International, specialist within the oil, gas and petrochemical construction industries, raised pre-tax prof-

its by 16 per cent from \$3m to \$3.7m (\$4.85m) in the half year to end-June. Sales increased by 78 per cent to \$246m (\$138m).

Mr James Davidson, chairman, said North Sea activity was high.

Growth achieved, combined with a strengthened balance sheet, has placed the company in a position to exploit opportunities which were expected to present themselves in the near to medium term.

An interim dividend has been introduced at 0.2 cents on earnings per share of 2.5 cents (2.1 cents). Last year a single dividend of 0.4 cents was paid.

Zetters profit declines by 8%

Zetters Group recorded a near 8 per cent decrease in pre-tax profit, from £1.13m to £1.04m, for the year ended March 31 1992.

Turnover fell slightly to £22.9m (£24.1m) and interest receivable dropped by some £95,000 to £374,000. Pool operating profit rose £127,000 to £470,000 entirely resulting through overhead cost reduction.

In competition and marketing the demise of the News International Lotto competition in June 1991 led to a fall in turnover of 70 per cent to £236,000, and to a loss of £21,000, against a profit of £126,000.

Zetters had not been able to replace Lotto with another significant promotion.

Earnings per share dropped to 10p (10.5p). The dividend is again 8p, with a final of 4p.

Rise in new premium income at Sun Life

Sun Life Group's total new premium income for the first half of 1992 rose by 39 per cent to £388m, against £280m. The largest segment of this was £33m in the single premium with profits bonds.

Total single premium business was 43 per cent higher at £244m (£289m) of which life income was almost doubled at £607m (£319m). As well as the with profits bonds there was also £167m from the distribution and deferred distribution bonds.

Total annual premiums were down 13 per cent at £42.1m (£48.2m) although life premiums advanced 6 per cent to £13m (£12.5m).

Mr John Reeve, managing director, warned that new business in the second half would be affected by the withdrawal of the with profits bond.

Chieftain 20% ahead at £620,000

Profits of Chieftain Group, the USM-quoted supplier of specialist insulation and fireproofing services, rose from £517,000 to £620,000 pre-tax for the six months ended June 30.

The 20 per cent improvement was achieved from a turnover £1.22m ahead at £7.52m. Earnings rose by 0.88p to 4.88p and

the interim dividend is being lifted from 1.5p to 2.1p.

Mr Peter Wardle, the chairman, said the group was well supported from its activities in selected sectors of industrial construction, shipbuilding and offshore oil and gas.

...y to
dend

...war had little effect on Wicks

...issue last year, the company has substantially cut the losses at its timber business and continued to press ahead with its successfully distinctive DfY formula. Wicks is certainly one of the lowest-cost operators in the sector and has been able to derive substantial cost savings from its pan-European sourcing policy. Analysts have scaled back expectations in the full year - because of Wicks's cautious noises about the economy - but are still looking for between £12m and £14m. That puts the company on a prospective multiple of 11 with a token dividend also likely to be paid. After gaining much ground following the rights issue, Wicks's share has fallen heavily in recent months. But its attractions as a recovery play are reviving - at least for those who still believe in recovery.

BET guarded about rights acceptances

By Richard Gourlay

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The shares ended at 110, equal to the rights price at some 19p below the price prevailing before the rights issue was announced on July 14.

BET was guarded last night about the level of acceptance. Some indications would suggest that while the rights are not to be considered a success may not have been the disaster that some commentators have suggested.

The £200m issue has been underwritten by Barings Brothers. The proceeds will be used to redeem auction market preferred stock, the hybrid form of debt and equity.

Gully, the receivers of Ash Holdings, in April this year. The purchase gave BAE ownership of the two largest mobile phone companies in the UK.

The Office of Fair Trading launched an investigation as the deal after failed rival bids. Complaints that they had made higher offers, and the fact Gully had withheld financial information about the company. The competitive implications of the deal were also considered.

RHM expands in the Netherlands

Ranks Hovis McDougall is acquiring the Dutch food fabricator 'De Waag' a family-owned flour-milling business based in Rotterdam, Zeeland and Oss.

Following the acquisition, RHM will have three flour mills in the Netherlands, for production is expected on September 5.

FT SURVEYS

...the FT surveys to predict the recession in 1992. The survey is based on the views of 100 professional economists. It is the most comprehensive survey of its kind. It is the only one which covers the whole of the world. It is the only one which covers the whole of the world. It is the only one which covers the whole of the world.

Resort Hotels meets forecast with 32% rise

By Jane Fuller

RESORT Hotels increased its pre-tax profit by 32 per cent to £5.5m in the year to April 30, in line with the estimate made with the £20.6m rights issue.

The improvement, from £4.2m, came on turnover of £16.1m (vs £15.2m) and after a net £458,000 (£127,000) interest receivable.

Earnings per share, however, were depressed to 8.02p (8.98p) as the average number of shares jumped from 48.1m to 68.9m and the tax rate doubled to 11 per cent.

The 1-for-4 issue, announced on April 30, will raise the number of shares in issue to about 99m this year. Mr Roland Lewis, finance director, said the tax rate would continue to increase to about 13 per cent. It had been kept low by tax losses in acquisitions and the large capital spending programmes of previous years. This year's expenditure would fall from more than £11m to about £5m.

Resort, launched in 1984 with the backing of Business Expansion Scheme funds and floated (initially on the USM) in 1988, said trading conditions last year were "among the most difficult we have ever encountered".

It owns 14 hotels and manages more than 30 others, of which 11 in the County and Country Resort chains are to

be bought for shares over the next two years, with the rights issue proceeds cushioning the debt to be brought on board. Mr Lewis said this would amount to £7.5m this year and about £20m more next year, with gearing estimated to run up to 18 per cent.

The immediate effect of the rights issue - the fourth in less than four years - was to wipe out year-end debt of about £22m, gearing of 40 per cent. Resort said no further calls on shareholders were anticipated in the foreseeable future.

Mr Lewis said the profit improvement came from additional management contracts and improved trading in refurbished hotels. Opportunities kept arising to pick up management contracts, especially as the recession led to banks repossessing hotels - a recent example being the Holiday Inn in Daventry. About £2m of last year's turnover had come from management fees.

The occupancy rate at its predominantly three-star hotels was around 60 per cent, a drop of three percentage points in the last six months although that was on a larger stock of bedrooms.

A final dividend of 2.25p makes a total of 3.65p (3.4p).

The shares gained 2p to close at 57p yesterday, compared with the rights issue price of 53p.

Institutional concern over a top banker's dual role

Roland Rudd looks at efforts to split the jobs of chairman and chief executive at Barclays

SOME OF Barclays' biggest shareholders plan to meet with senior management after the bank's half year results are announced today to voice concern about Mr Andrew Buxton combining the two roles of chairman and chief executive.

Heavy provisions are likely to have driven first half profits well below the £378m pre-tax figure returned at the half-way stage last year.

While Barclays normally talks to its shareholders after its results are announced some of the institutions are planning a "vigorous campaign" to persuade the bank to split the two top jobs.

One of the bank's institutional shareholders said: "Barclays is the only UK bank to combine the roles of chairman and chief executive. We will not be content until the roles are split."

Sir Peter Middleton, chairman of Barclays de Zoete Wadd, the investment banking subsidiary of Barclays where he is also deputy chairman, believes the issue is only one of semantics.

In a recent interview he said: "The words chairman and chief executive do not mean anything. Simply using these words does not give you any clue as to how management works."

"To say that Andrew Buxton is chairman and chief executive of Barclays does not mean he will take every decision. I think he would be shocked if he was expected to do it all."



Sir Peter Middleton (left) with Andrew Buxton, chief executive and chairman elect

Mr Buxton, a descendant of one of Barclays' founding families, became chief executive in May after the bank's non-executives put pressure on Sir John Quilton to reduce his responsibilities. Mr Buxton, who had been managing director, will assume the role of chairman at the end of the year.

Since 1896, there have only been two exceptions when the chairman was not drawn from one of the founding families - one of them being Sir John - and in all cases they have combined their role with being

chief executive.

Sir Peter, a former permanent secretary at the Treasury whose civil service career began in 1962, was appointed chairman of BZW in November. He plans to take a greater role in the group, akin almost to being Mr Buxton's partner.

One of Barclays' biggest institutional shareholders said that while it welcomed Sir Peter's new role, precedent warned that "enormous problems" could occur when one person combined both roles of chief executive and chairman.

Sir Peter believes the shareholders' arguments boil down to two main issues: ● that the roles should be split because chief executives run business while chairmen plan for the future; ● the fear that anyone combining both roles becomes too powerful.

As to the first argument Sir Peter believes there are management similarities to the planned demerger of Imperial Chemical Industries and Barclays.

"Just as ICI is planning to

have one chairman and two chief executives [when it demerges into two companies] so Barclays has one chairman and three chief executives of its three main divisions, Mr Alastair Robinson at banking, Mr David Band at investment banking and Mr Joseph De Feo at service businesses."

Mr Buxton, however, remains chief executive of the overall group.

In countering the second argument Sir Peter points out that Mr Buxton's powers are kept in check by a strong executive committee and by him. "I have a powerful role in the bank and he [Mr Buxton] listens to me."

According to Sir Peter the most important thing for shareholders is to explain how the group is organised and what powers the various individuals have in the organisation. "I think this is more important than who has what title", he says.

Some of Barclays' institutional shareholders have yet to be convinced. Some have other strategic concerns. In particular, they are unhappy at the bank's hefty exposure to troubled property companies. In the current year, some of Barclays' big corporate customers, such as the property companies Heron International, Speyhawk, Mountleigh and Olympia & York, have run into difficulties.

As a result, Barclays is likely to face big losses on loans to some of these companies. Sir Peter believes there is a simple lesson to be learnt.

"The banks are primarily in the business of taking risks. The banking system did not think hard enough about the risk. You can easily fool yourself about the risk."

In the US Sir Peter does not believe the group should try and compete with the well-established domestic banks in commercial banking. "I think we need to try to become more specialised in which clients we want to look after."

He says the great lesson that Barclays has learnt is that it needs a clear strategy about what businesses it wishes to offer and in how many countries.

Part of that strategy is deciding how far the bank can spread its resources in offering any one particular service. In retail banking, for example, Sir Peter says the group has no ambitions to offer a European wide service. Instead, the group is to concentrate its resources in the UK and in selected areas on the continent, such as Spain and Portugal.

The first thing he decided to do when he took up his post was to streamline BZW.

One of the most important decisions was to merge investment banking with the bank's international treasury operations.

"We shall be offering a complete range of services to our clients," says Sir Peter.

This is an area where Sir Peter said the group did want to be everywhere in terms of the range of services offered.

British Alcan deficit deepens to £4.7m

By Kenneth Gooding, Mining Correspondent

BRITISH ALCAN Aluminium has reduced its capital expenditure as it continues to suffer record losses because of a world-wide slump in aluminium prices and the deep UK recession.

The company reported that its pre-tax loss in the first six months had increased from £3.2m to £4.7m. Last year's figure was after exceptional costs of £7.3m for redundancies and

plant closures, but there were none this year.

Mr Douglas Ritchie, chairman, said: "No significant improvement in performance is anticipated in the second half, given current aluminium prices and the weak state of the UK economy."

Keeping a tight control over working capital in order to generate cash remained a priority for British Alcan, a subsidiary of Alcan Aluminium of Canada which also reported substantial first-half losses.

The British company's capital expenditure was restricted to £5m, against £20m in the same months of 1991.

Since December debt had been cut by another £17m, from £266m, resulting in a two point improvement in the debt-equity ratio to 34:66 at June 30.

Mr Ritchie said the benefit of continuing cost reduction schemes also helped to contain losses. Volume sales rose by 21,500 tonnes to 172,600 tonnes

reflecting increased volumes of fabricated products and strong export business. Higher recycled aluminium volumes from the £28m Warrington used beverage can facility, which opened last year, helped to compensate for reduced primary aluminium sales caused by the mothballing of half the Lynemouth smelter's capacity in 1991.

However, due to lower prices, sales revenues fell by £2m to £284.8m. The attributable loss was £6.6m (£3.8m).

Trimoco responds to Hartwell statement

Trimoco, the Luton-based motor dealer, yesterday urged shareholders to take no action in respect of plans by Hartwell to make an offer for the balance of Trimoco's shares which it does not own.

Hartwell said it would pay 17.5p a share for the outstanding equity.

Hartwell intends to offer £175 for each £100 nominal of the 11% per cent guaranteed convertible unsecured loan stock of Trimoco Finance that it does not already own.

Buy-out at Robertson arm

By Kenneth Gooding, Mining Correspondent

A GROUP of present and former employees has acquired the minerals consulting and minerals processing laboratory business of the Robertson Group for an undisclosed sum.

Robertson was acquired for £52m by Simon Engineering in April last year.

The buy-out group is headed by Mr Malcolm Clews, who between 1984 and 1988 headed Robertson's minerals consultancy business. He said he had

been working since autumn 1990 to arrange the purchase.

The revamped organisation is called Robertson Research Minerals, which he claims is one of the largest integrated independent minerals consultancies in Europe.

RRM has acquired all the data archive collected during Robertson Research's 30 years of operations. Current projects include providing advice to the UN Development programme in the Yemen and two gold projects in Uzbekistan for Canadian clients.

BOARD MEETINGS

TODAY

Interim - Anglo & Overseas Trust, Barclays, Kilmoritt Berron, Motors, Sutton Engineering, Finance - Abbey, Sutcliffe Speakman, TR City of London Trust

FUTURE DATES

Admission Consultants	Sep 4
Bentley	Sep 17
British Resources	Aug 18
British Polytechnic Ind	Sep 14
Cable's (Pillips)	Aug 27
Dunedin Income Growth Inv	Aug 19
LT Hogg	Aug 14
Page (Hill)	Sep 3
Repton	Aug 11
Rolls-Royce	Sep 2
Slingsby	Oct 5
Trans World Comm	Sep 3
Hard Hogg	Aug 12
Plassey	Sep 14
Delany	Aug 18
Gold Fields S.A.	Aug 18
Imperial Platinum	Aug 18
Levermore	Aug 21
Newmark (Lowe)	Aug 11
Ogilvy & Mather	Aug 8
Standard Platforms	Aug 12
Sutcliffe, Speakman	Aug 6

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Smith & Nephew plc Interim Results 1992

- Sales up 7% to £411 million
- Pre-tax profit up 6% to £66 million
- Interim dividend up 3% to 1.8p
- Earnings per share up 2% to 4.3p
- Strong healthcare product sales

Eric Kinder, Chairman of Smith & Nephew plc said:

"The encouraging progress of our healthcare business, which has achieved strong growth in the first half of the year, is in line with our expectations and continues to counterbalance the worst effects of the recession on our consumer business."

"We remain confident that our long term success will result from the group's commitment to excellence and leadership in worldwide healthcare."

Eric Kinder
Eric Kinder, Chairman

Smith+Nephew
LEADERSHIP IN WORLDWIDE HEALTHCARE

IEA report highlights oil demand doubts

By Neil Buckley

FEARS THAT the expected increase in oil demand may not occur are heightened by the latest report of the International Energy Agency and have helped to push crude prices below \$20 a barrel for the first time since May.

Brant crude for September delivery closed at \$19.90 yesterday, compared with \$20.35 at the end of last week. The price had remained above \$20 since the last meeting of the Organization of Petroleum Exporting Countries in May.

The latest Monthly Oil Report from the IEA, the

west's energy monitoring agency, said July output from members of the Organisation of Petroleum Exporting Countries was 24m barrels a day. That was well above the agreed output ceiling of 22.98m b/d, although the agreement did allow for an increase of about 300,000 b/d in Kuwaiti production, and Saudi Arabia said it would continue to produce slightly more oil than it was officially allocated.

The IEA said Saudi production remained steady in July at around 3.1m b/d. But production in Iran rose slightly to 3.2m b/d from 3.2m, and there were small rises from Nigeria,

The IEA also said that while oil production in the former Soviet Union had continued to decline, averaging only 9.1m b/d in May and June, oil exports had increased to 2.25m b/d in June, and an estimated 2.4m b/d in July. This was due to a larger-than-expected decline in domestic consumption, and a fall in Russian crude supplies to other former Soviet republics.

These factors, together with a decline in demand from refineries and the sluggish recovery in western economies have led to a larger supply overhang than previously expected.

Weekly figures from the American Petroleum Institute showing that US crude oil stocks had jumped by 6.2m barrels to 330.2m barrels also pushed prices down slightly.

But Mr Peter Gignoux, head of Smith Barney's energy desk in London, said the decline in price was partly seasonal.

"The IEA's Opec figure is what we might have expected, and is a figure the market can live with. The next couple of weeks will see the price drift slightly, but I would expect it to pick up again after that."

Mr Gignoux said trading was thin in what was always a quiet period of the year.

● **Mr Nursultan Nazarbayev**, president of Kazakhstan, says in Turkey yesterday an oil pipeline to carry Kazakh crude to the Mediterranean seaboard would be completed within three years.

The pipeline would carry 40m tonnes of oil a year through Turkey to the Mediterranean. It could also carry exports from other republics such as Azerbaijan.

In Moscow, Russian officials said oil, gas and minerals held the resource-rich but comparatively undeveloped Dnypryan region would be pumped to the west. Some of the western Siberian Tyumen region would be pumped up for international bidding.

Tim Coone on an infestation problem that is irritating anglers in the west of Ireland

A HUMBLE sea-louse with a gourmet's taste for the tender flesh of salmon and sea trout, has succeeded in producing a rash of invective, verbal inflammation and much scratching of heads among *homo sapiens* in the west of Ireland.

centrated shoals of their favourite food offering ideal grazing and breeding grounds. Lice control has become one of the major management problems on the farms.

The adult lice release millions of larvae into water, ready to reinfect other farmed

a welter of mutual recriminations and mud slinging with the government uncomfortably trying to straddle the line dividing the salmon farmers on one hand, and the anglers, hoteliers and even its own fisheries officers on the other.

One such person is Mr Peter Mantle, the owner of the "Delphi Lodge" in Connemara. He has invested £1m in developing a wild fishery and luxury accommodation for anglers over the past seven years.

Mr James Ryan, the owner of a fish farm in the estuary of the Deilphi fishery and a key figure in the ISGA says: "The sea-lice are a red herring. There are always fluctuations and cycles in wild fish stocks.

Lepeophtheirus Salmonis is a parasite of salmonid species such as salmon and sea trout, which was largely unheard of until salmon farming started becoming an important industry in the region in the mid-1980s.

salmon and, it is alleged, the wild sea trout as well. Efforts to control the lice with chemicals such as dichlorvos have upset shellfish farmers and ecologist groups who claim that damage is being caused to the marine environment by

'It is disastrous. In Connemara, there used to be 500 rods per day fishing over a 100-day season.

Mr Michael O'Brien, the owner of the "Angler's Paradise" in Killarney, south of where the principal problems have occurred says: "Our sea-

Those that have invested in angling lodges and are losing money are looking for a scapegoat in the fish farming industry".

He admits that "there may be a problem" in the scale of the current collapse in the

In 1989 however, the wild sea trout fisheries in the west of Ireland collapsed. Catches by anglers on rivers between Galway Bay and Clew Bay fell to less than 10 per cent of the levels they had been just a few years before. Many of those that were caught were found to be in poor condition and heavily infested with sea-lice. On some rivers the return of

A study carried out by the Sea Trout Working Group, an *ad hoc* body set up by the government last year to draw together all the scientific data available on the problem, found that 94 per cent of lice larvae production in the worst-affected western region, originated from farmed salmon.

It's all gone.'

Mr Michael Woods, the minister for the marine, in announcing stop-gap measures authorising additional research and monitoring last May told parliament: "My objective is to ensure the well-being of the wild fishery and the angling tourism industry, which is

trout fisheries around here have gone to the dogs as well". His bookings are down by 70 per cent this year. Similar tales are told by hoteliers catering for the market throughout the western region.

The regional fisheries boards have largely endorsed the anglers' and hoteliers' perception of the problem. Mr Michael Kennedy the regional man-

However, disease and environmental problems have largely been ruled out as the cause by the STWG and Dr. Ken Whelan, head of the Salmon Research Agency in Galway and a member of the STWG, says: "I don't think

adult spawning fish from the sea fell to less than 20 per cent of previously recorded minimum levels.

"It is disastrous. In Connemara, there used to be 500 rods per day fishing over a 100-day season. It's all gone," says Mr Vincent O'Reilly, chairman of the Trout Anglers Federation of Ireland.

The finger of blame was

That was sufficient *prima facie* evidence for the angling and specialist hoteliers' lobby to demand that the farms either be relocated or the sea-lice problem brought under control.

worth £74m a year, as well as of the salmon farming industry, both [of which] make a major economic and social contribution to the community in the west of Ireland".

A recent study by the Economic and Social Research Institute in Dublin estimates that some £80m has been invested in the Irish fish-farming industry over the past ten

ager of the Western Region Fisheries Board says: "As far as we are concerned the lice from the farms are the cause of the problems. Without any shadow of doubt. In a bay there might normally be between 2,000 5,000 wild salmon. If each has five lice that's only 25,000 in total. On one farm you may have 1m fish and if each has five lice

anyone can deny that lice are the major factor in the collapse of the fisheries". He and Mr. Kennedy point to the experience of Clew Bay where a salmon farm was closed in 1990 because of disease problems. The sea trout numbers recovered in 1991. A new licence was then granted to reopen the farm in 1992 "and the lice problem on the sea trout has

quickly pointed at the salmon and trout farms. There are 34 in Ireland, most of them concentrated in the bays and estuaries along the Galway and Connemara coastline, producing almost 10,000 tonnes of fish a year, most of which ends up as smoked sides on dinner tables from Nice to New York. Big companies have invested millions of pounds in the

But the fish farmers did not agree, and the working group itself pointed out: "It is still not possible, on the basis of larval production figures, to demonstrate a significant correlation between production of sea-lice larvae from salmon farms and subsequent infestation of sea trout in individual embayments, despite the large numbers of sea lice being pro-

years, at present producing an output worth some £25m a year. Interestingly it also found that many of the farms were being run at a loss.

On the other hand, a lucrative up-market tourism industry is being badly hit. Mr Brian Flynn, the western regional manager of the government's Tourism Board says: "It is largely a market for high-

that's 5m. There's the problem". The Irish Salmon Growers Association, the lobby group for the fish-farming industry, which now shares offices with the powerful Irish Farmers' Association, is counter-attacking by alleging that the wild salmon are the cause of louse infections in their otherwise healthy farmed fish and are

recurred in a very serious manner", he says.

The problem with proving their case, however, is that the ways of the juvenile sea-lions remain a mystery to the scientists. Their survival times and distribution patterns in tidal waters are largely unknown. The conclusive link remains elusive.

Until further research is

The floating cages in which tens of thousands of salmon are kept together for fattening are like five-star hotels to the lovely *lensentrinus*, the con-

With the scientific evidence inconclusive therefore, the sealone war has degenerated into

sea trout fishing has been very important for this area but we can no longer promote what was a quality product. It no longer exists here. People who

demanding seats on the regional fisheries boards, which they feel have turned against the farmers. "That would be like letting the fox look after the hen house."

completed, it seems that *lepeophtheirus* will continue to be a major source of irritation not only to the salmon and trout, but to their farmers and anglers as well.

A FAILURE to reach an agreement with Russian alumina annually to the Soviet Union in exchange for alumin-

A FAILURE to reach an agreement with Russian alumina importers has triggered the closure of a Hungarian alumina factory with an annual capacity of 180,000 tonnes, reports Reuters from Budapest. Alumina, or aluminium oxide, is the intermediate material refined from bauxite ore for smelting into aluminium.

"The closure is a decided fact. We stopped feeding the works with bauxite on Monday," said a factory official.

The factory, called Ajka-1, will come to a standstill by September 30, costing 700 of the 2,400 workers their jobs, the official said. The Ajka-2 plant, with an annual capacity of 300,000 tonnes will continue its production.

A dispute over prices wrecked a planned baryte deal between Hungary's HungAlum and Russia's Razmolport last month.

In a traditional alumina-for-alumina barter Hungary has

minia annually to the Soviet Union in exchange for aluminium. It planned to import up to 120,000 tonnes of aluminium this year.

But high and rising costs of electricity and steam energy made Hungarian alumina prices high compared with Australian competition. Australian alumina was \$20 to \$30 a tonne cheaper than Hungarian, HungAluker's general manager Mr Ferenc Windisch told the economic weekly *Napi* last week.

But Russian ports were not technically capable of receiving shipments from Australia, he added.

However Mr Windisch said only plans of a barter deal were wrecked, the two sides still hoped to reach a cash deal.

The equipment at Ajka-1 will be put in mothballs, ready to restart production if necessary, said a plant official said. "But we don't know the Russian market, I don't think production will restart again. It proved for good."

1000

Chicago				
BREAM 3,000 lb mtrg cases/100 lb basket				
Close	Previous	High/Low		
532/4	534/4	538/0	532/0	
544/2	545/2	555/0	540/0	
556/0	558/0	562/0	552/0	
558/0	561/4	567/0	550/4	
558/0	562/4	564/0	558/0	
564/4	565/2	570/0	564/4	
568/0	572/0	574/4	568/0	
BREAM 60,000 lbs cases/100				
Close	Previous	High/Low		
18.37	18.54	18.53	18.38	
18.45	18.83	18.84	18.45	
18.65	19.00	19.79	18.65	
19.82	19.80	19.11	19.82	
19.09	19.26	19.26	19.08	
18.27	18.54	18.85	18.27	
19.09	19.63	19.85	19.08	
19.98	20.10	20.13	19.98	
MINERAL 100 tons 2/ton				

Close	Previous	High/Low	
198.8	171.3	171.3	198.8
171.2	172.6	172.9	171.1
199.1	198.6	199.1	198.9
199.1	198.7	198.9	198.7
198.6	197.8	198.0	198.5
198.6	197.5	198.0	198.5
198.5	197.0	198.0	198.0
198.7	198.5	198.8	198.8

5,000 bu min; conts@20/bushel

Close	Previous	High/Low	
2778	2192	2194	2774
2292	2250	2254	2290
2292	2290	2310	2284
2340	2290	2364	2344
2340	2340	2364	2344
2392	2406	2394	2392

6,000 bu min; conts@20/bushel

Close	Previous	High/Low	
3100	3102	3152	3084
3196	3214	3258	3194
3294	3298	3304	3294
3294	3298	3380	3210
3294	3272		

ATLANTA 40,000 lbs. contracts			
Cattle	Previous	High/Low	
74,325	73,800	74,400	73,855
74,300	73,800	74,400	73,900
74,300	73,825	75,100	72,800
73,875	73,875	75,125	71,585
70,875	70,875	73,000	72,800
70,850	69,775	70,800	68,900

MOBILE 40,000 lbs. contracts			
Cattle	Previous	High/Low	
43,300	42,925	43,550	43,025
43,300	43,275	43,575	43,125
40,750	40,400	40,675	40,575
40,800	40,475	41,125	40,400
38,850	38,825	39,875	38,700
38,850	38,825	39,875	38,700
43,225	43,200	0	44,800
			43,225

MEMPHIS 40,000 lbs. contracts			
Cattle	Previous	High/Low	
38,225	38,050	38,100	34,300
38,375	38,050	38,100	38,275
38,225	38,200	38,600	38,275
38,225	40,725	40,800	40,800

Line	Alt Cap/Con	Yld 0's
211	1,290	6.3
214 1/2	3,092	5.6
267	2,340	12.9
298	205.7	1
630	165.3	1
104	170.3	3.0
124 1/2	1,297	4.5
18	3.59	23.4
19	3.50	13.1
45	2.81	4.9
19	1.29	13.4
16	58.4	-
212	314.9	7.1
214 1/2	3,093	4.3
220 1/2	661.9	6.9
10	2.77	-
19 1/2	431.3	1.7
301	186.6	1.0
49	1.86	9.8
15	12.2	8.0
55	261.8	9.7
148	21.16	5.2
918	897.4	1
746	1,099	3.4
104	135.3	3.0
631	1,149	4.1
100	78.5	-
100	20.6	10.4
202	211.4	13.0
674	193.3	7.1
95	13.3	1
70	7.0	1
15	1.88	-
220	317	13.0
32	-	1.3
494	3,221	1
2	1.32	-
27	-	-
3	-	-
49	58.2	-
79	29.3	1.9
16 1/2	66.0	10.8
2	6.76	-
2	2.33	-
41 1/2	9.88	-
9	-	-
304	166.1	1.1
34	26.8	1.8
16	2.86	-
42 1/2	1.26	-
4 1/2	4.4	-
54	72.8	18.5
10 1/2	1.9	-
23	12.0	-
90 1/2	1,067	1
14 1/2	16.8	-
7 1/2	3.22	-
13	7.89	9.2
97	87.3	1
60	-	-
83	814.3	6.1
34	73.9	4.3
10	1.35	-
52	408.8	-
103	666.5	-
27	19.9	3.7
12	-	-
193	488.2	6.7
10 1/2	1.6	-
8 1/2	-	-
0 1/2	8.78	-
10	4.26	10.9
137	62.8	10.9
11	35.4	-
1	1.18	-
184	1,319	11.9
4	0.77	-
25	31.1	11.2
80	13.8	13.2
36	154.7	7.1
130	158.8	1.3

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**AUTHORISED
UNIT TRUSTS**

Authorised Unit Trusts									
Unit Trust	Investment Objective	Assets Under Management (£m)	Units in Issue (m)	Unit Price (£)	NAV (£)	Dividend Yield (%)	Capital Growth (%)	Income Yield (%)	Notes
A&P Unit Trusts Limited (100000)									
A&P Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
A&P Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
ABC Unit Trusts Limited (100000)									
ABC Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
ABC Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
DEF Unit Trusts Limited (100000)									
DEF Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
DEF Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
GHI Unit Trusts Limited (100000)									
GHI Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
GHI Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
JKL Unit Trusts Limited (100000)									
JKL Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
JKL Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
MNO Unit Trusts Limited (100000)									
MNO Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
MNO Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
PQR Unit Trusts Limited (100000)									
PQR Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
PQR Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
STU Unit Trusts Limited (100000)									
STU Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
STU Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
VWX Unit Trusts Limited (100000)									
VWX Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
VWX Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
YZA Unit Trusts Limited (100000)									
YZA Growth Fund	Equity	100.0	100.0	1.00	1.00	5.0	10.0	5.0	
YZA Income Fund	Fixed Income	100.0	100.0	1.00	1.00	5.0	10.0	5.0	

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GUERNSEY (REGULATED)

Table listing various Guernsey funds with columns for Fund Name, Price, and other details.

ISLE OF MAN (REGULATED)

Table listing various Isle of Man funds with columns for Fund Name, Price, and other details.

JERSEY (GDR REGULATED)

Table listing various Jersey funds with columns for Fund Name, Price, and other details.

IRELAND (GDR REGULATED)

Table listing various Ireland funds with columns for Fund Name, Price, and other details.

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LUXEMBOURG (GDR REGULATED)

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JERSEY (REGULATED)

Table listing various Jersey funds with columns for Fund Name, Price, and other details.

Commercial Union Luxembourg SA - Contd.

Table listing various Commercial Union Luxembourg funds with columns for Fund Name, Price, and other details.

Midland International Circuit Fund SICAV

Table listing various Midland International Circuit funds with columns for Fund Name, Price, and other details.

Fidelity Investments (UK) Ltd

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Julian Baser Multi-Asset Fund

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Global Asset Management - Contd.

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Orbis Investment Management Ltd

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LUXEMBOURG (REGULATED)

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SWITZERLAND (GDR REGULATED)

Table listing various Swiss funds with columns for Fund Name, Price, and other details.

OTHER OFFSHORE FUNDS

Table listing various offshore funds with columns for Fund Name, Price, and other details.

MANAGED FUNDS NOTES

Notes regarding managed funds, including performance, risks, and other relevant information.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling/D-Mark hits new low

STERLING yesterday dipped to its lowest level against the D-Mark since Britain joined the European exchange rate mechanism, as traders grew increasingly disenchanted with the prospects for the UK economy, writes James Bitt.

In early London trading, the D-Mark firmed against most European currencies as dealers feared the results of another opinion poll on how the French will vote in their referendum on the Maastricht treaty on September 20. As it turned out, the poll showed a slight majority in favour of ratifying the treaty, with 56 per cent saying they would vote "yes" and 44 per cent saying they would vote "no". But the result proved too inconclusive for most dealers, and the German currency drifted further upwards.

The pound was the worst hit, dropping to a low of DM2.847 and finishing a penny down on the day at DM2.850. Traders said there had been a spate

of heavy corporate selling of sterling in recent days. Underlying this was deepening gloom about the UK economy, including more bad news about the state of the UK housing market. The Nationwide Building Society's recent survey showing that house prices had fallen on average by 0.8 per cent in July is one of several indicators making sterling investors more bearish.

The UK currency's slide may be halted in forthcoming days for several reasons. First, the pound is at its lower limits against both the Portuguese escudo and the Spanish peseta in the ERM. In the last two days, the Bank of Portugal has bought sterling to keep the pound within its limits, allowing down its discount against the D-Mark. Traders also reported that the Bank of England is lightly intervening in the market to keep the pound above its lows.

Friday's US non-farm payroll figure for July may also ease

tensions in the European exchange rate mechanism. Analysts believe that this should show a big rise in US employment, by around 100,000, firming the dollar towards DM1.50. This, in turn, would weaken the D-Mark in intra-European monetary system trading, making sterling's position more comfortable.

Yesterday, dollar/D-Mark trading was confined to narrow ranges as the market awaits Friday's jobs figures. The US currency closed fractionally up on the day in London at DM1.4760. In New York it ended higher at DM1.4815.

The D-Mark finished at FF3.3800 in Europe after a previous FF3.3780 and at L766.5, up from L765.5. One analyst suggested that Italy's reduction in its discount rate earlier this week may prove to be premature. "If the government's budget measures are not implemented and the coalition has more difficulties, the cut may have to be reversed," he said.

£ IN NEW YORK

Aug 5	Close	Previous
1 month	1.9070-1.9080	1.9125-1.9135
3 months	1.9110-1.9120	1.9155-1.9165
6 months	1.9140-1.9150	1.9185-1.9195
12 months	1.9170-1.9180	1.9215-1.9225

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Aug 5	Previous
8.30	open	92.0	92.2
9.00	open	92.0	92.2
10.00	open	92.0	92.2
11.00	open	92.0	92.2
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

AMERICA

IBM pulls Dow lower on broker downgrade

Wall Street

A SHARP decline in the IBM share price caused stocks to decline across the board in light trading yesterday, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 19.18 at 3,365.14. The more broadly based Standard & Poor's 500 receded 2.17 to 422.19, while the American SE composite shed 1.93 to 389.90 and the Nasdaq composite lost 4.35 to 576.87.

Turnover on the New York SE intalled 175m shares and falls outpaced rises by 1,021 to 713.

Most analysts were unperturbed by yesterday's decline, arguing that it was natural for the market to undergo a short period of consolidation and profit-taking following last week's strong advances.

They also said the fact that share prices have only given back a few points suggested that the market is resilient, and may have room for further gains over the next week or so.

The day's only economic news was the release of the Federal Reserve's Beige Book report on economic conditions, which had little effect on the stock market. The report found that economic activity

remained "uneven", but it noted some improvement in retail sales and manufacturing.

IBM was the feature of the day after broker house Smith Barney downgraded its rating on the stock from "buy" to "hold" and reduced its estimate for earnings in 1992 from \$6.85 a share to \$5.80; it also reduced its forecast for 1993.

An explanation for the downgrade was not forthcoming, although it may have been linked to comments from an IBM executive, who said revenues from mainframe computers and related operating systems will be flat to lower in the second half of this year. IBM finished 2.2% down at \$91.45 after turnover of 2.1m shares.

News that the recovery in the auto industry had stalled in late July hurt car shares; figures released on Tuesday showed flat sales of domestic cars at the end of the month. Ford Motor retreated \$1 to \$43.40 and General Motors slipped \$1 to \$39.91, while Chrysler eased \$1 to \$21.11, all in active trading.

Clorox dropped \$3 to \$44 after the company announced that it was taking a \$32m pre-tax charge in the fourth quarter for write-downs and a \$36m total charge for the full year to

cover the cost of accounting adjustments.

Global Natural Resources firm said that a new export tax exemption granted by the Russian Federation will have a positive effect on its venture in Tatarstan.

On the Nasdaq market, leading issues led a retreat. The most notable declines were Microsoft, down 1% at \$72. Amgen, \$1 cheaper at \$66. Apple Computer, \$4 lower at \$44.1, and Borland International, 2% weaker at \$42.4.

Canada

TORONTO stocks kept pace with a lacklustre Wall Street to close moderately lower after thin volume. Cuts in prime rates by Canada's leading banks to 6.50 per cent from 6.75 per cent had little effect on the market. Bank shares ended broadly lower.

The TSE 300 index was finally 19.8 off at 3,406.3 and declines outnumbered advances by 310 to 197 after turnover of 32.5m shares valued at C\$246.7m.

A late sell-off from highs in US treasury stocks after the US Treasury announced a US\$36bn auction in its quarterly refinancing next week also weakened equities.

EUROPE

Futures buying lifts Frankfurt and Paris

STRATEGISTS were not inclined to take Frankfurt's improvement to their hearts yesterday, especially given indications that futures-related trading lifted both German and French shares yesterday, writes Our Markets Staff.

FRANKFURT turned an early decline into a slight gain on futures-related buying. At mid-session the FAZ was just 0.99 lower at 636.62 and by the close, the DAX index, hovering above 1,600, stood 17.30 or 1.1 per cent higher at 1,628.61. Turnover rose from DM4.1bn to DM5.0bn.

Deutsche Bank's 3 per cent decline in first-half operating profits were below the trend for banks in general, but indications of a softening economy raised hopes that the Bundesbank would not increase the Lombard rate at today's meeting.

Strong points included the interest rate-sensitive Bavarian banks, the cyclical chemicals and steels and Allianz, the top insurer which came under pressure last week. Deutsche Bank did not rise in line with the market, ending DM5 higher

FT-SE Eurotrack 100 - Aug 5								
Hourly changes								
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1072.04	1073.65	1075.88	1079.56	1082.66	1082.92	1080.61	1081.21	
Day's High 1083.19				Day's Low 1071.77				
Aug 4	Aug 3	Jul 31	Jul 30	Jul 29				
1076.44	1069.17	1067.77	1068.92	1077.69				

Base value 1000 (2010/90)

at DM635.

Also trailing were the car-makers Daimler and BMW, up just DM1.50 to DM574 and DM550 to DM564 respectively. Daimler's denial of rumours of short-term working at Mercedes-Benz was not reported until after hours.

PARIS was again driven by opinion polls on French voters' intentions in the Maastricht referendum. The CAC 40 index ended 10.35 higher at 1,787.98, but fell short of 1,800, in this turnover of FF1.4bn. Dealers said that trading was becoming increasingly technical and driven by the futures market.

Euro Disney continued to recover as some investors sought over-sold situations and several brokers published buy notes. The stock added another

FFr2.35 or 2.7 per cent to FF69.10.

Peugeot remained weak, falling FFr10 to FFr667 on news of a 2.5 per cent increase in first-half turnover to FFr32.61bn.

Ciments Francais dropped FFr15 or 4.4 per cent to FFr325 after reporting a 5 per cent drop in first-half turnover.

MILAN ran out of steam after its two-day rally, although rumours that the government was planning measures to support the market lifted prices after hours. The Comit index fell 4.98 to 419.63 in turnover estimated at L80bn after L67bn.

After hours, Assogestioni said that Italian investment funds had a net outflow of L749bn in July, compared with a net outflow of L26bn in June. The stock added another

ZURICH followed Frankfurt to end higher on moderate turnover, as chemicals and financials led the SMI index to a gain of 1.9 at 1,820.3. Dealers were also looking for a slowdown in Swiss inflation today, possibly to a July figure of between 3.8 and 3.9 per cent after 4.2 per cent in June.

AMSTERDAM was firmer ahead of today's half-year results from Philips and Royal Dutch. Royal Dutch rose 60 cents to F146.40 while Philips added 10 cents to F125.10. The CBS Tendency index closed up 0.7 at 118.1.

KLM advanced 70 cents to F132.30 after reporting a 14 per cent increase in airline traffic in July from a year earlier.

COPENHAGEN fell to a new 1992 low with the all-share index down 2.05 at 303.64, writes Hilary Barnes in Copenhagen. Banks weakened on expectations of disappointing half-year results. Danske Bank and Unibank both lost DKr5 to DKr245 and DKr155 respectively.

OSLO featured a record low in Uni Storebrand, the free shares closing down Nkr1.50 at

Nkr20.50. The all-share index lost 4.68 or 1.24 per cent to 371.93 in turnover of Nkr150.9m.

STOCKHOLM saw losses in the banking sector offset by Astra and Volvo as the Affarsvariden index ended 1.2 lower at 863.1 in thin turnover of SKr224m. Astra B shares rose SKr6 to SKr551.74 while Volvo added SKr4 to SKr346 on the back of good US car sales.

VIENNA slipped to an intra-day all-time low of 759.32 before recovering slightly to close down 6.55 at 764.05. Austrian Airlines eased Sch26 to Sch1.580 after announcing a first half pre-tax loss of Sch261m.

MADRID was mixed with the general index gaining 0.10 to 217.87, but turnover remained very low. Repsol slipped Pta25 to Pta 2,635 but with only 87,000 shares traded.

BRUSSELS rose at the close of the trading account. The Bel-30 index gained 2.47 to 1,138.75 in low turnover of BFr521m. ISTANBUL retreated in technical trading. The 75-share index fell 18.33 to 4,174.37 in turnover of TL165bn.

Political setback sparks downturn in Argentina

But the sharp drop in July has made share prices look interesting once again, writes John Barham

THE Buenos Aires Stock Exchange had little to celebrate on its 138th birthday yesterday. Prices have fallen sharply over the past six weeks, abruptly ending one of South America's more impressive bull runs.

After decades in the doldrums, the stock market exploded to life in 1991 with a world record-breaking 396 per cent increase. But so far this year, share prices have fallen by 11.3 per cent. In July alone, equities lost one-third of their value, bringing the market's capitalisation down to \$23.35bn, from a peak of \$32.13bn in mid-June.

Mr Eugenio Reynal, head of equities at Merchant Bankers Asociados, a Buenos Aires investment house, says: "The market over-reacted on the way up and it over-reacted on the way down. It showed that the market lacks professionalism." He expects prices to recover, but not to the heights of late last year.

At first sight there was no clear reason for the decline. The economy is performing well, with growth forecast at 6 per cent. Government finances are sound and inflation is low. Business investment is picking up slowly, in spite of uncertainty about the strength of the consumer-led boom that began 18 months ago.

However, foreign investors are angry at the cheating by some local brokers and dishonest accounting practices. Insider trading and front-running are rife, but the government's equity watchdog has done little to impose discipline. It recently fined one company the equivalent of \$7,917 for

deceiving the market, the maximum legal penalty.

It seems that profit-taking and a political setback for the government when it failed to win a Buenos Aires by-election in June sparked the downturn. Once the retreat gathered pace, nothing could stop it, especially after leveraged buyers began to abandon the market.

Many punters had borrowed in March to buy \$1.2bn worth of equity sold by the government in Telecom, one of Argentina's two privatised telephone companies. About \$240m to \$300m worth of Telecom shares were financed by banks, which were left holding the stock when an increasing number of clients refused to make margin calls.

Telecom shares were offered to the public at \$4.20 each; now they are worth a little more than \$3. The Telecom flop, as well as a setback for punters, may make it harder for the government to unload a further \$5bn worth of privatisation stocks in the future. Furthermore, the Telecom issue

was heavily geared towards individual investors, who now have little incentive to return to the market.

Mr Juan Carlos Sanchez Arnau, privatisation under-secretary, says there is no need for concern, but warns that the "public must be more realistic and learn to pay the correct price, reducing substantially the margin for speculation". He may be right, but his advice will sound cynical to investors tempted into the market by the government.

After the bloodbath of recent weeks, the outlook for Argentine equities now looks brighter since the plunge has made prices look interesting once again. Merchant Bankers Asociados now estimates the prospective price/earnings ratio for steelmaker Acindar at 13, against its previous estimate of 29. Its pie for footwear company Alpargatas is down to 17 from 34.

The slide in the overall market index hides interesting shifts in individual stocks. Renault, the French carmaker's local subsidiary which has 28 per cent of its equity on the market, has soared 285 per cent this year. Smaller, less liquid stocks have outperformed the blue chips. Second-tier equities have risen 71 per cent in the first seven months of the year.

Optimists point to the expected creation in 1993 of Argentina's first private pension funds. If legislation clears Congress in time, they are expected to invest \$5bn to \$8bn of contributions every year, making them a potentially captive market for new equity issues.

Traders said some foreign investors have also started to shift funds from overseas stock markets to Japan. "US pension funds are putting long term money into the market," said Mr Ross Purdie at S.G. Warburg.

Bank issues rallied on the government support measures. Industrial Bank of Japan advanced Y50 to Y1,760 and Fuji Bank Y30 to Y1,360. Real

Tokyo

INVESTORS welcomed reports of the government's economic support measures and share prices rallied, with the Nikkei average briefly breaking through 18,000, writes Emiko Terazono in Tokyo.

The Nikkei gained a net 291.05 at 15,983.64 on arbitrage-related purchases by dealers and snarled buying by foreigners and institutional investors. It opened at the day's low of 15,718.09 and rose to 18,074.47 before profit-taking emerged in the afternoon.

Volume was thin but improved from 143m shares to 180m. Traders noted increased interest from investors but said buy orders were made in small lots.

Advances led declines by 512 to 409, with 154 issues unchanged. The Topix index of all first section stocks put on 13.17 to 1,213.34, but in London the ISE/Nikkei 50 index was off 0.32 at 977.67.

Reports that life insurance companies were shifting cash from money markets into equities also helped sentiment. Life insurers said the government's reported plans to buy real estate held by banks as collateral for bad loans were encouraging. "It seems that the government is finally becoming serious about supporting the economy and the stock market," commented an official at Sumitomo Life.

Traders said some foreign investors have also started to shift funds from overseas stock markets to Japan. "US pension funds are putting long term money into the market," said Mr Ross Purdie at S.G. Warburg.

Bank issues rallied on the government support measures. Industrial Bank of Japan advanced Y50 to Y1,760 and Fuji Bank Y30 to Y1,360. Real

estate companies were also higher, with Mitsui Fudosan rising Y11 to Y20.

High-technology blue chips moved forward on bargain hunting, Hitachi by Y30 to Y760 and NEC by Y17 to Y782. Fujitsu, however, fell Y13 to Y575 on reports that it would incur a consolidated net loss of Y10bn for the interim term to September. Company officials acknowledged the figure but added that the group would post a profit for the full year. Fujitsu said its semiconductor plant in San Diego.

Dealers continued to liquidate holdings in speculative theme stocks. Meiji Milk Products, still the market's leading active, receded Y7 to Y797 and Mochida Pharmaceutical lost Y110 to Y2,670.

Marui, the department store, firmed Y30 to Y1,030 on speculation that it would be included in the Nikkei index.

SOUTH AFRICA

JOHANNESBURG eased on a weaker gold price and a stronger financial rand. Industrials lost 11 to 4,203 while the overall index was 14 lower at 3,380. The gold index shed 18 to 1,010. De Beers eased 75 cents to R76.25

Market participants expect a reshuffle of index component stocks in October.

In Osaka, the OSE average recovered 39.98 to 17,573.37 in volume of 26.3m shares.

Roundup

THE PACIFIC Basin markets were mostly easier yesterday. SEUL fell to its lowest close since December 1987, on rumours that Daewoo chairman Mr Kim Woo-chong is to establish a new political party to contest the presidential elections due later this year. The composite index shed 8.15 to 493.33.

Daewoo Group companies declined sharply and the suspension of garment maker Hynjin Enterprise further dampened sentiment.

SINGAPORE was depressed by disappointing half-year results from Far East Levings-ton Shipbuilding. The Straits

Times Industrial index slipped 13.72 to 1,442.03. FELS weakened 40 cents to S\$3.08 while Keppel, its parent group, fell 35 cents to S\$6.40.

HONG KONG lost further ground in dull trading. The Hang Seng index dipped 18.54 to 5,841.24 in turnover of HK\$1.68bn. Hutchison Whampoa eased 20 cents to HK\$15.60 on rumours that it will announce a rights issue today when it reports interim results.

TAIWAN rose on news of a fall in inflation in July. The weighted index advanced 46.73, or 1.1 per cent, to 4,134.91 in turnover of T\$20.7bn.

MANILA declined after Philippine Long Distance Telephone reported lower than expected first-half earnings. The composite index lost 6.13 to 1,485.85 in combined turnover of 264m pesos. PLDT fell 20 pesos to 1,060 pesos.

NEW ZEALAND was driven lower by falls in some leading

stocks. The NZSE-40 index ended 11.48 off at 1,549.85 after turnover of NZ\$24m.

AUSTRALIA was dull as investors awaited the federal budget on August 18. The All Ordinaries index lost 7.1 to 1,805.4 in turnover of A\$164.6m.

Retailers suffered, with Coles Myer down 28 cents at A\$10.92, while banks further weakened. KUALA LUMPUR's composite index eased 0.86 to 692.58. R.J. Reynolds fell 30 cents to M\$3.32 after announcing that it was to cut the price of one of its cigarette brands.

BANGKOK improved on rises in bank, construction materials and finance stocks. The SET index put on 7.03 to 761.51 in high turnover of B\$9.94bn.

BOMBAY fell for the third day in a row as institutional demand could not offset continued nervous selling. The BSE index dropped 56.26, or 2.1 per cent, to 2,630.23.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS										TUESDAY AUGUST 4 1992										DOLLAR INDEX	
WEDNESDAY AUGUST 5 1992																					
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Round Starting Index	Yen Index	DM Index	Local Currency Index	Local % chg on Day	Gross Div Yield	US Dollar Index	Round Starting Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year Ago App. %					
Australia (68)	140.11	-0.8	108.56	112.74	107.69	126.08	-0.5	4.34	141.26	108.96	113.62	108.33	126.72	135.88	140.11	176.06					
Austria (19)	152.99	-0.2	118.54	123.11	117.48	117.45	-0.2	2.49	153.28	118.23	123.29	117.44	117.74	186.70	150.55	175.05					
Belgium (42)	147.18	-0.3	114.03	118.42	113.01	110.82	-0.0	5.57	147.93	118.74	113.21	110.59	152.27	135.87	132.55						
Canada (114)	127.51	-0.2	98.80	102.60	97.81	109.23	-0.4	3.20	127.73	98.83	102.73	97.94	108.69	142	124	132.55					
Denmark (35)	254.91	-0.6	182.01	185.03	180.36	181.55	-0.5	9.93	256.44	182.12	190.19	181.33	224.94	228.81	214.45						
Finland (15)	72.93	+0.8	58.51	58.69	56.01	61.94	+0.5	2.28	72.90	59.33	59.32	55.60	61.81	89.80	68.74	131.01					
France (104)	158.83	+0.3	123.08	128.44	122.57	124.95	+0.4	3.80	159.19	122.79	128.04	122.06	124.14	168.75	148.66	133.31					
Germany (64)	119.52	-0.4	92.60	96.19	91.77	91.77	-0.2	2.48	119.97	92.54	96.51	92.00	92.00	119.69	114.67	109.23					
Hong Kong (54)	243.13	-0.3	188.38	195.64	186.71	241.28	-0.4	3.40	243.99	188.71	195.11	182.11	229.59	176	169	149.49					
Ireland (16)	158.15	-0.6	122.54	127.26	121.44	123.70	-0.3	4.27	159.05	122.71	127.15	121.41	124.11	168.75	148.66	133.31					
Italy (76)	65.97	-1.6	51.12	53.08	50.69	55.02	-1.5	3.77	67.07	51.73	53.94	51.43	55.84	80.96	61.30	75.66					
Japan (413)	94.82	+1.3	73.31	78.14	72.67	76.14	+1.4	1.12	93.37	72.93	75.11	71.61	75.11	140.95	86.70	137.51					
Malaysia (69)	242.97	-0.2	188.25	195.50	185.57	234.03	-0.2	2.68	243.38	188.74	195.67	184.44	220.47	212.49	222.82						
Mexico (18)	173.24	-1.8	103.99	110.03	105.40	106.65	-1.6	1.29	139.67	107.61	112.22	107.07	107.63	147.47	114.45	149.82					
Netherlands (25)	184.19	+0.4	127.21	132.12	126.08	124.81	+0.6	4.49	183.48	126.11	131.50	125.7	124.09	187.29	147.88	181.82					
New Zealand (14)	45.00	-1.1	35.67	36.94	35.25	44.83	-0.8	5.07	46.43	35.81	37.35	35.61	45.21	48.21	42.01	47.63					
Norway (23)	162.96	-1.9	109.26	131.13	125.14	128.81	-1.8	1.86	168.98	128.13	133.99	127.36	130.80	192.95	161.26	204.49					
Portugal (38)	205.81	-1.6	158.46	165.61	158.04	152.84	-1.6	2.17	209.21	161.38	168.38	160.43	165.27	229.63	192.76	197.79					
South Africa (61)	207.86	+0.9	180.90	196.10	159.48	171.90	+0.6	2.96	205.77	184.72	185.51	157.79	170.85	263.60	194.58	244.16					
Spain (49)	140.90	-0.4	108.17	113.38	108.19	100.80	-0.1	5.84	141.90	109.15	113.82	108.51	100.71	161.72	136.48	152.17					
Sweden (30)	190.65	-0.1	147.71	153.41	146.40	151.35	-0.0	2.72	190.77	147.14	153.45	146.30	151.25	200.28	173.09	167.81					
Switzerland (82)	112.83	+0.8	87.27	90.64	86.50	92.49	+1.0	2.32	111.95	86.36	90.06	85.86	91.62	113.08	95.99	94.63					
United Kingdom (228)	181.40	-1.1	140.55	145.96	139.28	140.55	-0.7	5.29	183.49	141.94	147.58	140.70	141.54	200.07	165.85	175.51					
USA (822)	171.98	-0.5	133.25	138.40	132.07	171.98	-0.5	2.92	172.86	133.34	139.05	132.56	172.06	173.10	160.92	176.65					
Europe (790)	147.82	-0.5	114.53	118.95	113.51	114.47	-0.3	4.20	148.63	114.85	119.56	113.98	114.76	156.88	139.31	139.90					
Nordic (10)	175.10	-0.4	135.67	140.90	134.46	132.59	-0.3	2.39	175.80	135.61	141.41	134.82	132.97	188.29	159.29	168.53					
Pacific Basin (716)	101.21	+1.0	78.42	81.44	77.72	82.63	+1.1	1.48	100.17	78.42	81.44	77.72	82.63	101.21	78.42	82.63					
Euro-Pacific (152)	120.06	+0.2	93.02	96.60	92.19	95.74	+0.4	2.84	119.77	92.19	96.33	91.84	95.34	145.21	113.80	136.08					
North America (635)	189.20	-0.5	131.09	136.16	129.95	167.70	-0.5	2.93	190.03	131.16	136.78	130.41	166.55	170.33	158.07	176.06					
Europe Ex. UK (562)	127.24	-0.1	98.58	102.41	97.72	99.31	+0.1	3.43	127.40	98.57	102.49	97.72	99.25	132.98	121.11	117.49					
Pacific Ex. Japan (243)	166.16	-0.8	128.74	133.73	127.61	148.67	-0.5	3.61	167.21	128.98	134.52	128.54	143.31	173.31	149.00	147.80					
World Ex. US (1899)	122.04	+0.2	94.55	98.72	98.12	98.12	+0.4	2.84	121.77	94.55	97.35	97.16	141.45	145.14	137.91						
World Ex. UK (1993)	133.83	+0.1	103.69	107.70	102.76	118.66	+0.1	2.57	133.76	103.16	107.16	102.99	118.50	150.58	127.21	140.93					
World Ex. So. Af. (2180)	137.52	-0.1	108.55	110.67	105.81	120.20	+0.0	2.87	137.65	106.18	110.73	105.57	120.15	135.05	130.04	143.13					
World Ex. Japan (1748)	162.02	-0.5	125.53	130.39	124.43	148.55	-0.4	3.40	162.84	125.61	131.40	124.88	146.95	165.40	150.20	151.80					
The World Index (2221)	137.94	-0.1	106.88	111.00	105.93	120.66	-0.0	2.87	138.06	106.49	111.05	105.89	120.67	153.70	130.46	143.13					